



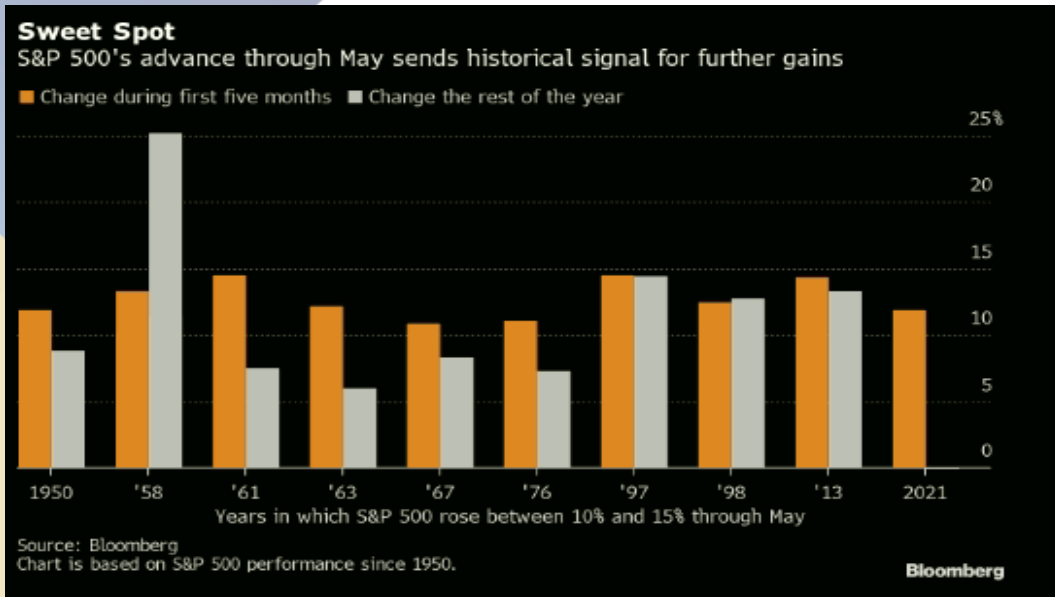
Weekly Report and Outlook on Global Markets

4th June 2021

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MARKET DEVELOPMENTS

S&P 500's advance through May sends historical signal for further gains



Further gains are due for the S&P 500 Index if history is any guide. The index's performance after rising 10% to 15% in the first five months of the year and presented the results in a Twitter post Tuesday. The S&P 500 climbed 11.9% this year through May and ended up within the range for the 11th time since 1950, according to data

Figure 1: The chart represents S&P 500 change during first five months vs the rest of the year for the following years

compiled by Bloomberg. All the earlier instances were followed by gains in June through December, which averaged 11.5%. than 5%.

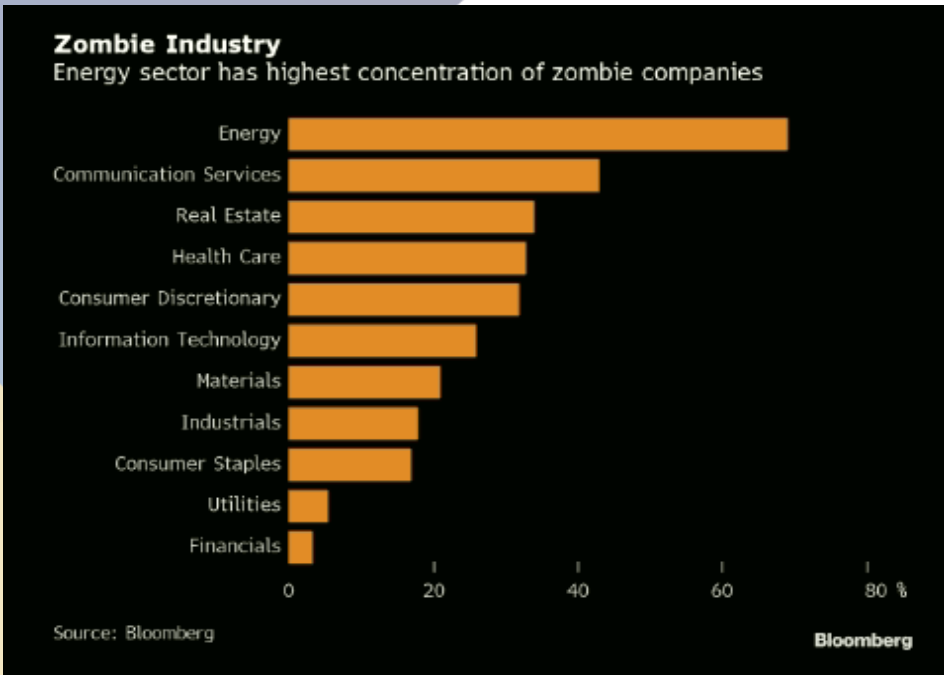
Coal futures continue to rise



Figure 2: The chart represents coal prices in Australia, Indonesia and Rotterdam

Coal prices are soaring as sweltering temperatures in North Asia increase air conditioning use, adding to already strong industrial demand. Meanwhile, mine safety issues in China and heavy rainfall in Indonesia are constraining output. The price spike comes even as climate policies make it increasingly difficult for companies to invest in new projects featuring the dirtiest fossil fuel.

Concentration of zombie companies highest in Energy sector in US



The number U.S. energy companies that didn't make enough money in the past year to cover interest expenses shrank to 78 from 82 before the latest round of earnings, data compiled by Bloomberg show.

Slammed by last year's crash in oil prices, the energy sector has the highest concentration of so-called zombie companies. The group, which includes behemoths such as Chevron Corp. and Exxon Mobil Corp., still accounts for about 70% of all oil and gas companies in the Russell 3000 Index. But the worst

Figure 3: The chart above represents concentration of Zombie companies within various US Sectors

seems to have passed for the industry as the economy emerges from the pandemic, fueling a rebound in demand that has helped restore profits and cash flow.

Cost of hedging against large price swings rise to highest in nearly 3 years

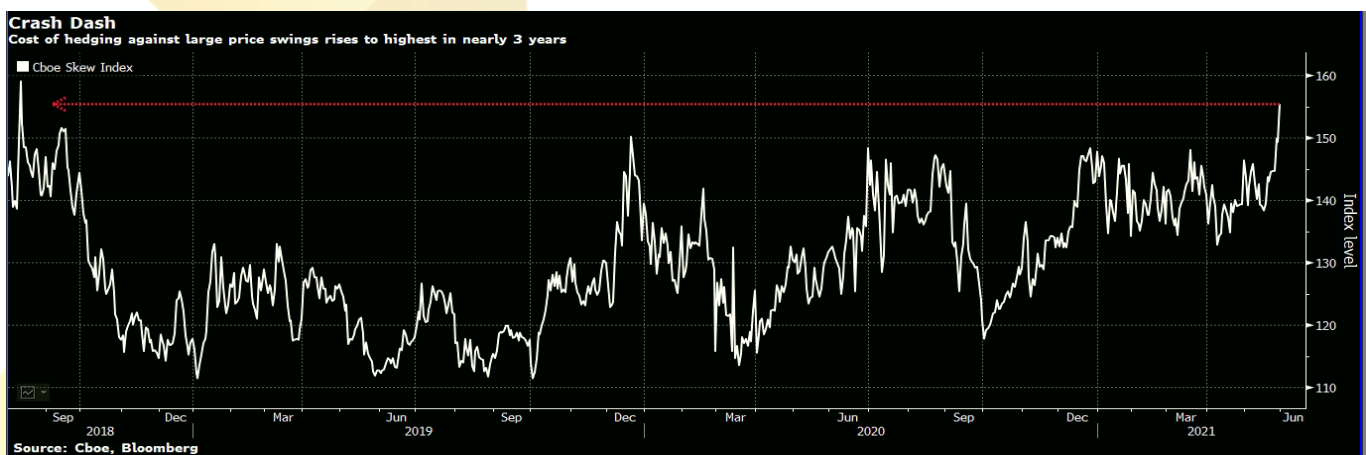


Figure 4: The chart represents CBOE S&P 500 SKEW INDEX

After four months of gains, U.S. equity investors are growing increasingly nervous about the risk of a crash. The Cboe Skew Index, which tracks the cost of tail-risk equity protection, has jumped to the highest level since August 2018. The surge signals options traders are growing wary of wild swings as rising inflation boosts concerns that the Federal Reserve will start to pull back its monetary support sooner than expected. However it is important to know that this index isn't used by many since it has failed most of the times to predict major down moves in the past.

MAJOR MOVES THIS WEEK

Currencies

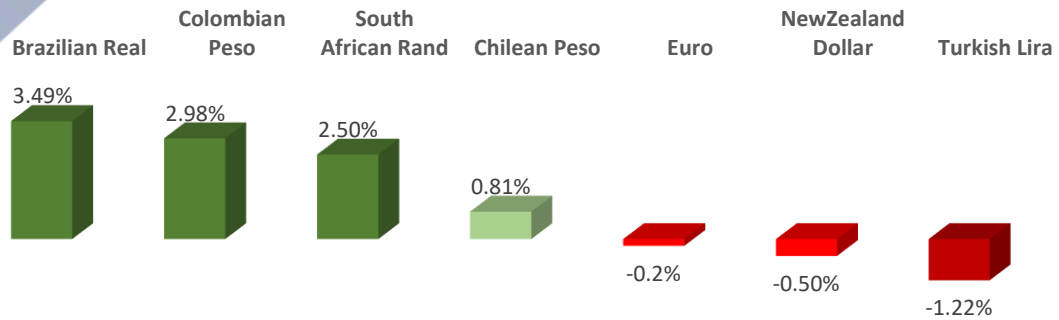


Figure 5: The graph represents Currency returns with respect to US Dollar as the base currency for this week

There was a mixed performance this week among major currencies. This week emerging market currencies (especially Latin American) dominated the developed market currencies against USD. Brazilian Real was the outperformer gaining 3.5%. Developed market currencies like Euro and New Zealand dollar gave muted returns. Turkish Lira depreciated due to their PM's willingness to reduce interest rates.

Equity Indices

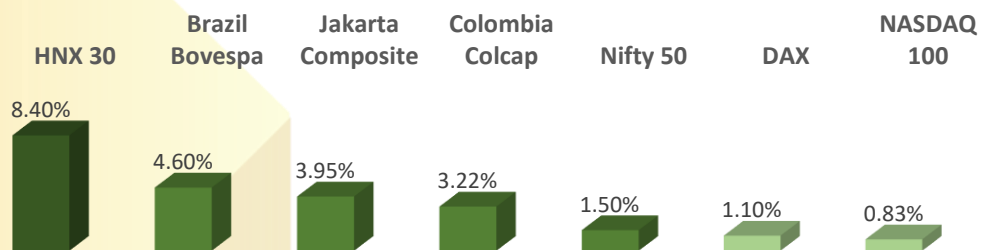


Figure 6: The chart represents the Equity Index returns over this week.

This week most of movement happened in emerging market regions. ASEAN countries were the outperformers for the week with Vietnam's HNX 30 gaining the maximum. Latin American region like Brazil also had a good run gaining more than 4.5%. Semi Developed regions like India, China and Korea were mostly sideways. Western markets/Developed markets gave muted returns for the week with European Indices outperforming US's ones.

Commodity Futures

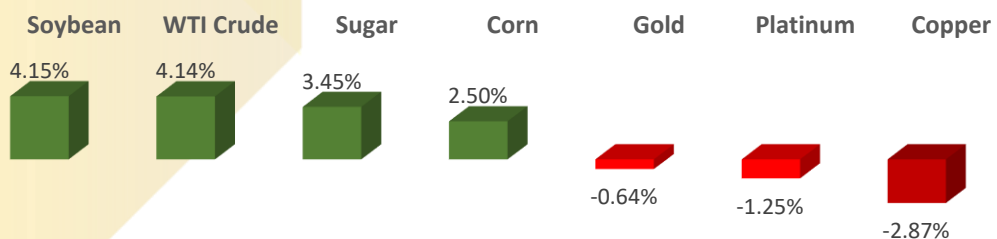


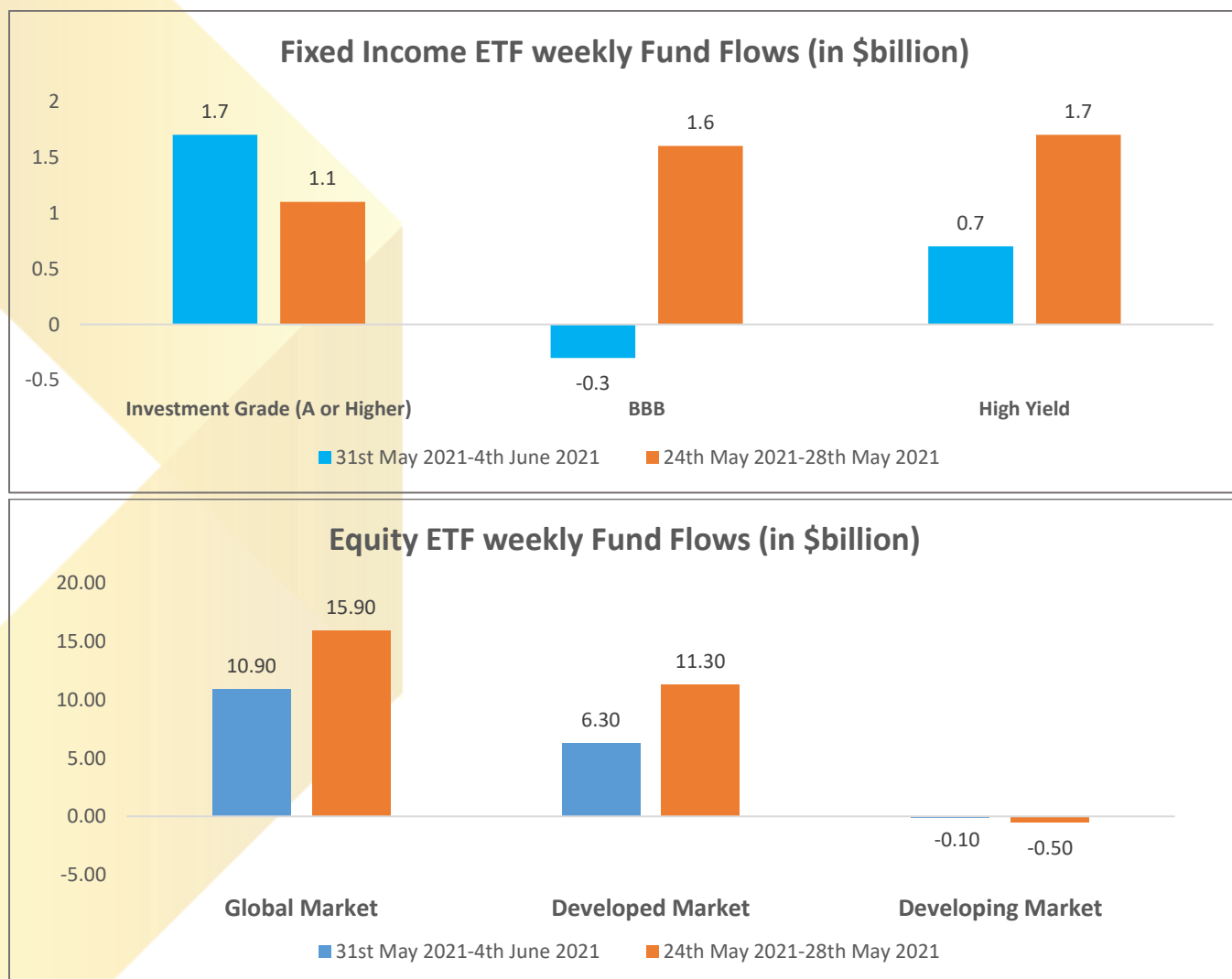
Figure 7: The chart represents the Commodity returns over the week.

This week we saw fall in Industrial metals. Copper and lead both closed deep in red. However, Nickel closed flat. Precious metals were predominantly sideways with gold losing 0.64% and platinum losing 1.25%. Agriculture commodities after a long period of consolidation have started to appreciate again with soybean and sugar leading the pack. Crude oil rose due to excessive demand anticipation as per IEA and OPEC+ during this week.

GLOBAL FUND MANAGERS' STATEMENTS

- 1) Ray Dalio (co-CIO, Bridgewater Associates): "No one is saying that the buck is in danger of losing its prominence as the world's reserve currency, yet prognostications are abundant that China's faster-growing economy will be bigger than the US's come 2030 or 2035. As a result, China will increase its sway in global trade and financial transactions as the years roll on, which will in turn boost the yuan."- CNBC , 3rd June 2021
- 2) Scott Minerd (CIO, Guggenheim Partners): "Another payroll report has come in below expectations, which strengthens our conviction that #Fed policymakers will be "resolutely patient" as they wait to see "substantial further progress" toward their goals."-Tweet , 4th June 2021

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 look bullish over the next few weeks. S&P 500 and Nasdaq may outperform for some time. Industrial commodities look sideways in the near term. Long term US Treasury yields also remain rangebound though may go back to the upper end of the range over the next few weeks. Gold and Silver are expected to consolidate for some more time. Crypto currencies have lost their upward momentum and may remain in a tight range.”

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