



Weekly Report and Outlook on Global Markets

9th July 2021

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MARKET DEVELOPMENTS

Asian equities see foreign outflows in June as virus woes weigh

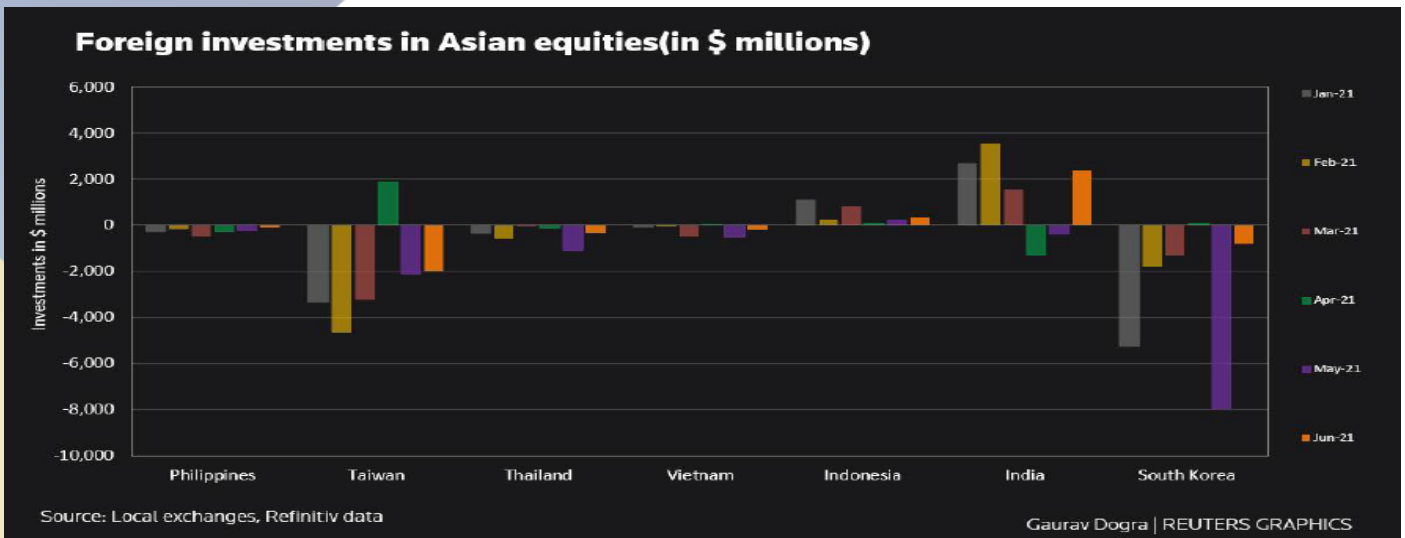


Figure 1: The chart represents foreign investments in Asian equities (in \$ million)

Foreigners turned net sellers of Asian equities in June for a second consecutive month, as growing inflationary pressure and a spike in coronavirus cases in the region tempered risk appetite. Cross-border investors sold a combined net total of \$725 million worth of equities last month in South Korea, Taiwan, the Philippines, Vietnam, Indonesia, and India, data from stock exchanges showed. That took the tally to \$24.6 billion outflows in the first half of the year, compared with total inflows of \$21.6 billion in the second half of last year.

Investors have been pulling cash from BlackRock's real estate exchange-traded fund



Figure 2: The chart represents fund flows in iShares U.S. Real Estate ETF

One of the biggest real estate exchange-traded funds has come back to earth. The iShares U.S. Real Estate ETF (ticker IYR) saw almost \$2.1 billion exit over six sessions through Thursday as investors adjust their expectations for the economic rebound from the pandemic. Assets that reached a record \$7.6 billion in June are now down 28% to \$5.5 billion.

China Considers Closing Loophole Used by Tech Giants for U.S. IPOs

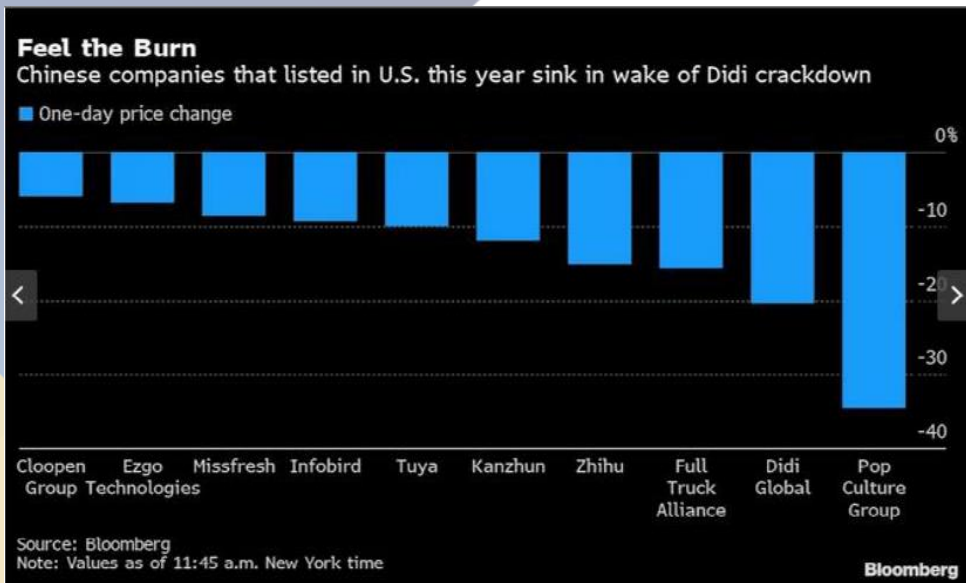


Figure 3: The chart above represents one day price change of Chinese companies that are listed in US

The China Securities Regulatory Commission is leading efforts to revise rules on overseas listings that have been in effect since 1994 and make no reference to companies registered in places like the Cayman Islands, said the people, asking not to be identified discussing a private matter. Once amended, the rules would require firms structured using the so-called Variable Interest Entity model to seek approval before going public in Hong Kong or the

U.S., the people said. The proposed change is the first indication of how Beijing plans to implement a crackdown on overseas listings flagged by the country's State Council on Tuesday.

China's farmers dump other crops for corn on bumper profit pull

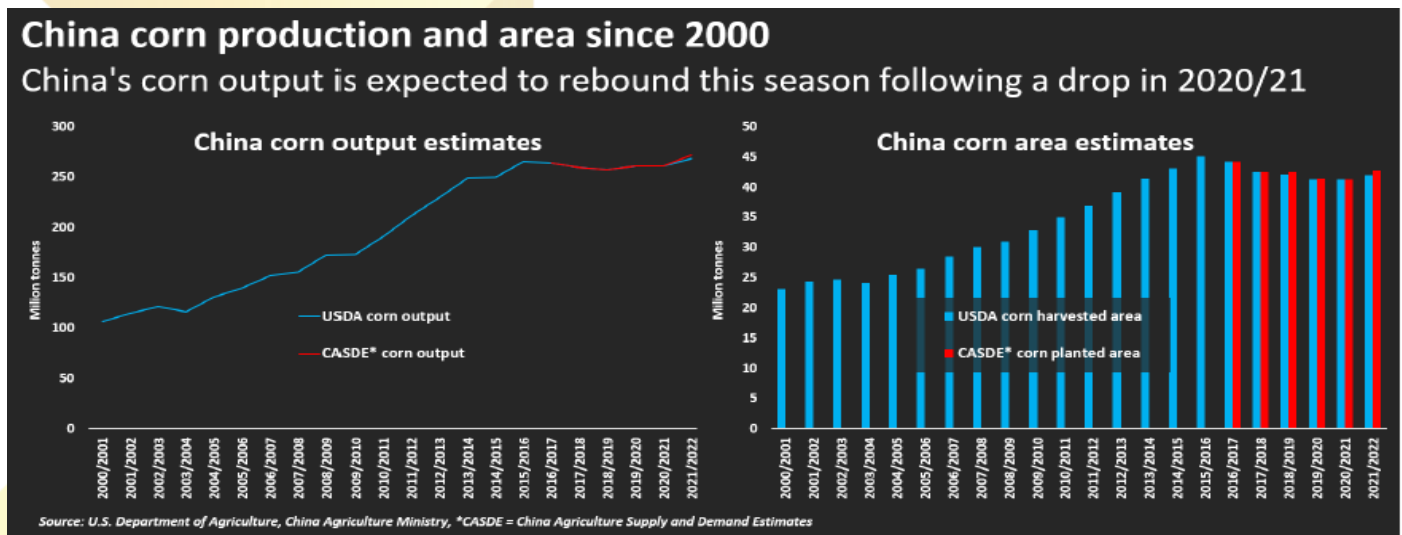


Figure 4: The chart represents China's corn output estimates

Chinese farmers have sharply increased corn planting this year to cash in on demand-fuelled record prices, a trend that is likely to cool the country's recent rampant appetite for imports heading into 2022. The expansion, which comes mainly at the expense of soybeans and other crops including sorghum and edible beans, would boost China's maize output in 2021/22 by at least 6%, according to market participants. That will likely ease a repeat of last year when strong feed demand from the hog sector propelled China's corn use beyond local production and sparked a 26-million tonne import spree that turned the world's largest grain producer into the top corn buyer.

MAJOR MOVES THIS WEEK

Currencies

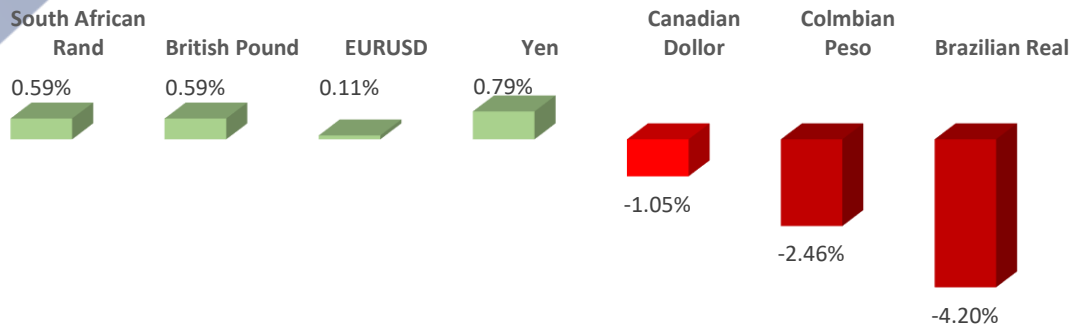


Figure 5: The graph represents Currency returns with respect to US Dollar as the base currency for this week

This week both Emerging market and developed market currencies were sideways. Even though Euro has closed flat with respect to the previous week but it was pretty volatile throughout the week. In the first half we saw decline in most of the currencies against USD however, they recovered in the last two trading sessions. Latin American currencies fell this week, lagging broader emerging market peers, with Brazil's real extending losses on growing concerns over corruption in the country.

Equity Indices

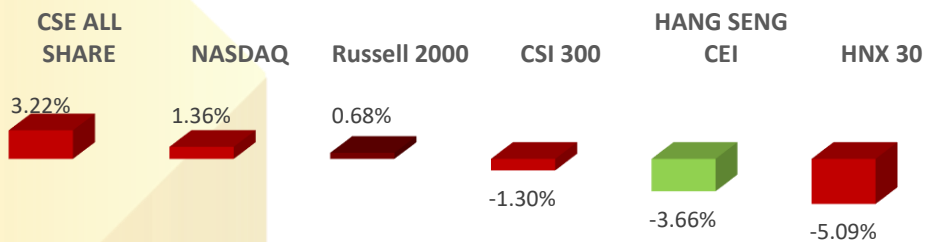


Figure 6: The chart represents the Equity Index returns over this week.

A volatile week was observed for equities especially in the first half where majority of them had to see correction and then in the latter part of the week we saw a rebound. In US small caps and value stocks underperformed the broader market due to fall in the yields. In Asia, Sri Lankan Equities outperformed the peers and Vietnam stocks had gone through a deep correction after rallying swiftly throughout the year.

Commodity Futures

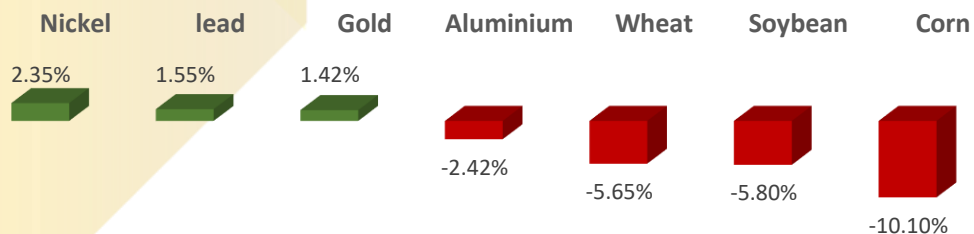


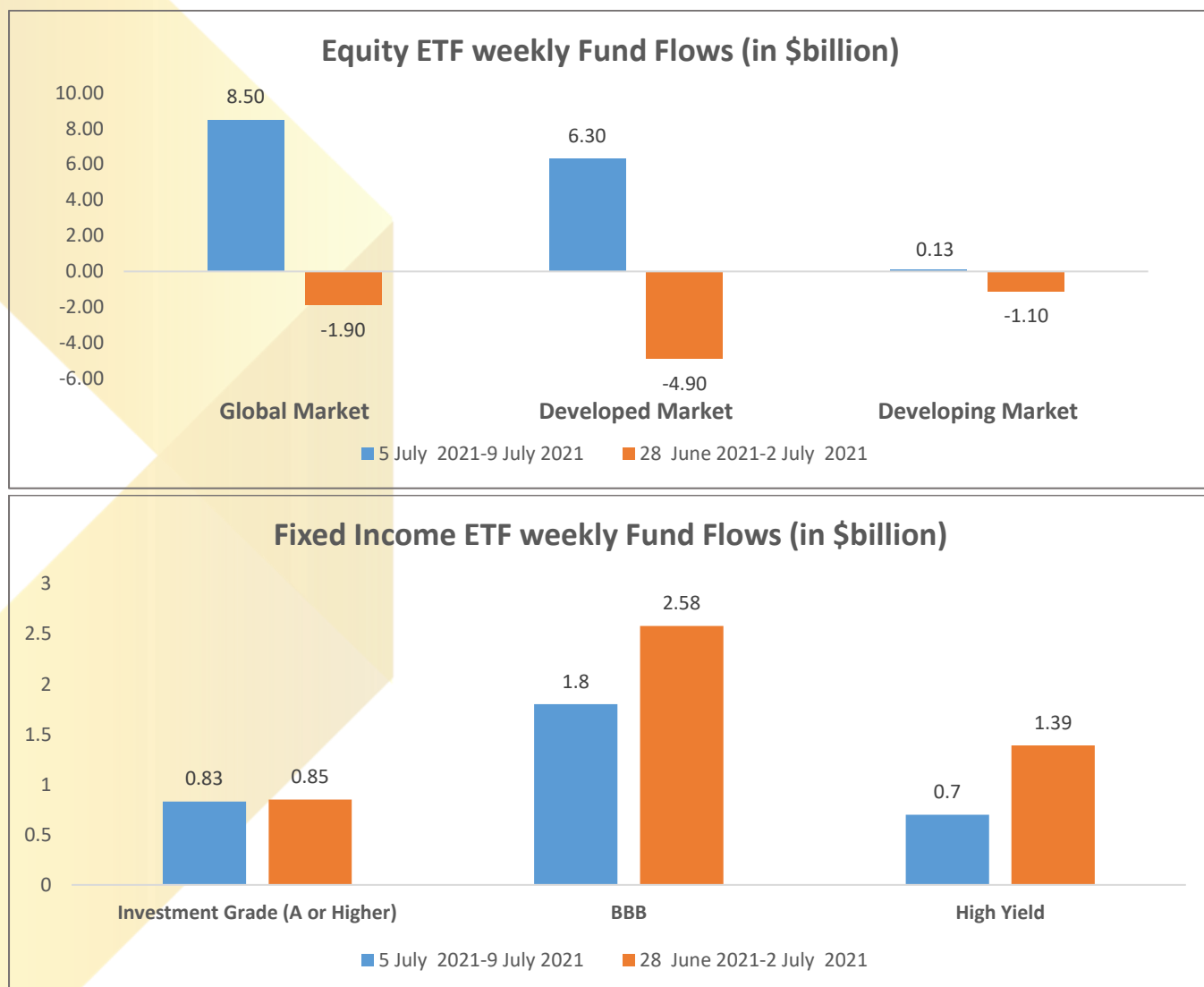
Figure 7: The chart represents the Commodity returns over the week.

Global commodities except agriculture commodities had a decent week. Among industrial metals nickel was the outperformer gaining more than 2% and aluminium underperformed the most. Gold was also able to trade above 1800 levels comfortably throughout the week which depicts strength. Agriculture commodities continued their downtrend. Corn underperformed the most after losing 10%.

GLOBAL FUND MANAGERS' STATEMENTS

- 1) Scott Miner (CIO, Guggenheim Partners): "As we expected, 10-year yields have fallen from the 1st quarter highs. We are approaching technical trading levels that could slow further declines from here. The fundamental argument for interest rates to rise is that rates were too low. With the 10-year Treasury touching 1.25%, it's a good time for both bulls and bears to re-evaluate given the current technical levels."- Tweet , 8th July 2021
- 2) Mark Mobius (Founder, Mobius Capital Partners LLP): " When you have a very strong bull market, you have to be cautious, but that doesn't mean you have to sell everything and go into cash. In our case, we still hold what we have. And I'm not too afraid of a downturn, not only in Brazil, but in other parts of the world, because there is still an awful lot of money."- Interview, 7th July 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

After an intra week dip S&P500 and Nasdaq closed at fresh all-time highs on Friday. We expect global equities to continue to have a bullish bias going into the next week. We expect EM assets to regain bullishness for the next couple of weeks or so. We expect US long term Treasury yields to rally over the remaining month of July. Gold would probably remain sideways during this period. We remain long term bearish on bitcoin and other crypto currencies.

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