Weekly Report and Outlook on Global Markets

16th July 2021

MARKET DEVELOPMENTS

Europe Trounces U.S., Asia in Race to Turn Capital Markets Green

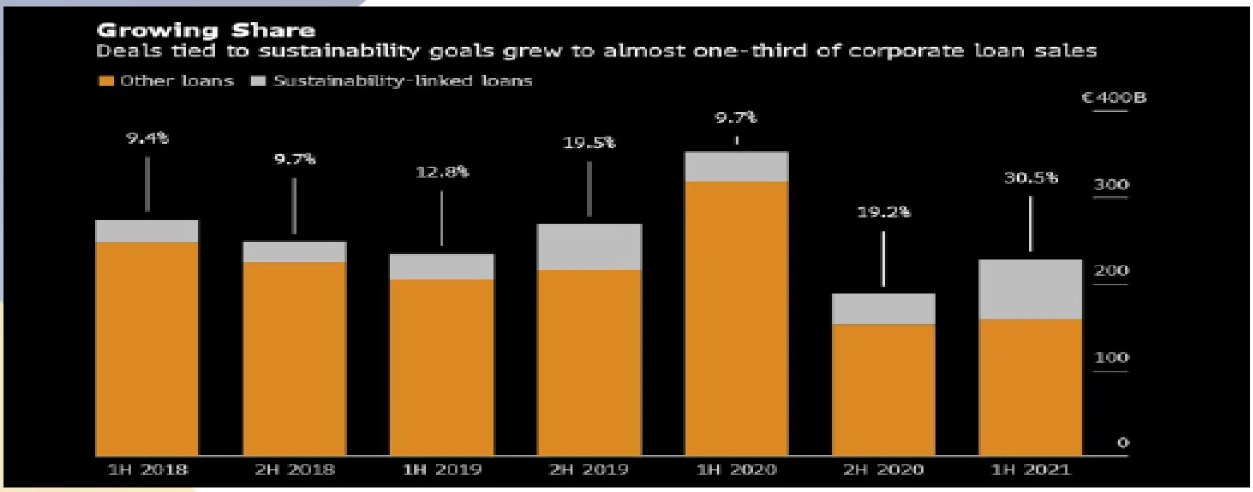


Figure 1:This figure showing growing share of ESG initiative (amount raised by European issuers)

One dollar out of every $5 raised this year by European issuers has been linked to borrowers' performance in Environmental, social and governance (ESG) initiatives. That ratio increases to one out of $3 for corporate loans. Those shares in overall loans are several times higher than the proportions for the Americas and Asia-Pacific.

The distinctive lead for European borrowers comes at a time when the post-pandemic recovery is driving a new investment cycle, while investors insist more than ever on ethical commitments encouraged by the European Union's calls for sustainable financing. The region's issuers have raised more than 100 billion euros ($123 billion) of sustainability-linked loans (SLL) in 2021, setting a record year in just six months.

ETFs are on the brink of luring more money in seven months than in any calendar year on record

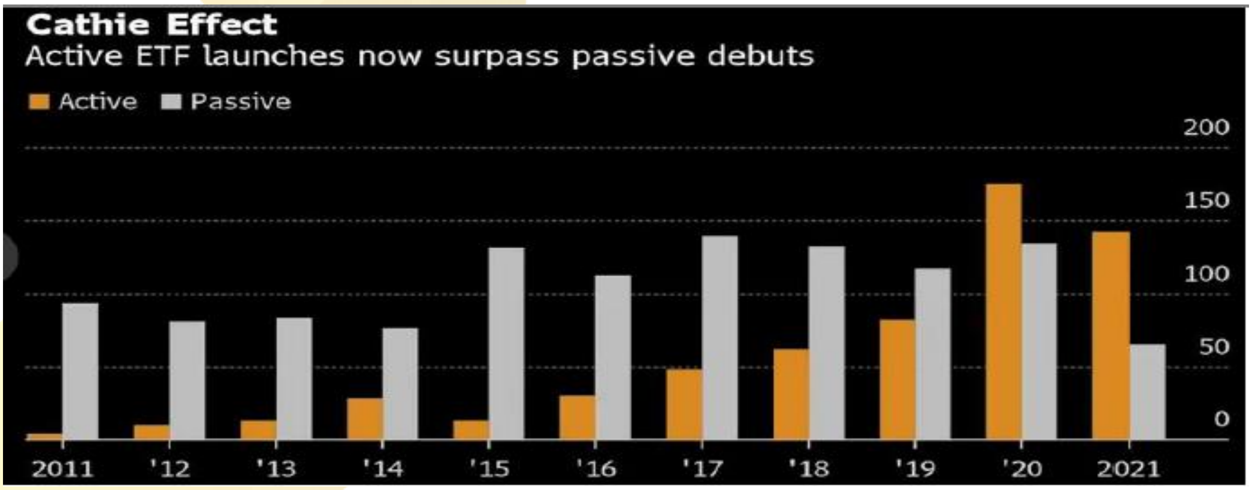


Figure 2: The chart represents the fund flow of Active & Passive ETF in billions of dollars

At $488.5 billion and counting, they'll likely break the $497 billion full-year record set in 2020 in weeks, possibly days. Within that surge is a historic capitulation by the mutual fund industry.

Investors have long been migrating to the cheaper, easier-to-trade and more tax-efficient vehicle. Now even the most-storied money managers are launching ETFs in a bid to stay relevant, and some — like Vanguard Group — are handling their clients' conversions for them. Almost all the 25 largest asset managers in the U.S. offer an ETF or plan to do so.
First created more than 30 years ago, their popularity has surged since the 2008 financial crisis. In the brutal economic fallout, mistrust of money managers grew, and investors gravitated to largely passive and transparent ETFs, doubling assets in U.S. funds to $1 trillion by 2010.

__30 day rolling correlation between bitcoin & S&P as on 15 July__

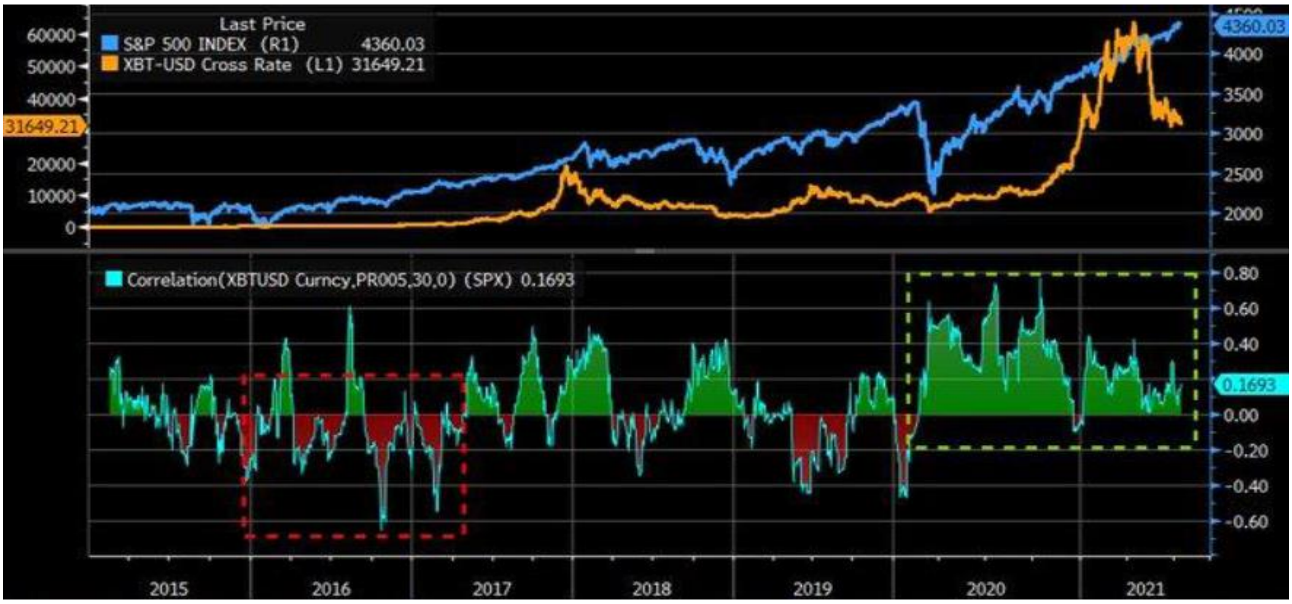


Figure 3 This chart representing 30-day correlation between bitcoin & S&P 500

Bitcoin has spent considerable amount of time positively correlated with S&P 500 since early 2020; different than what we saw in 2015 to early 2017 (with exception of some spikes) and in 2019.

MAJOR MOVES THIS WEEK

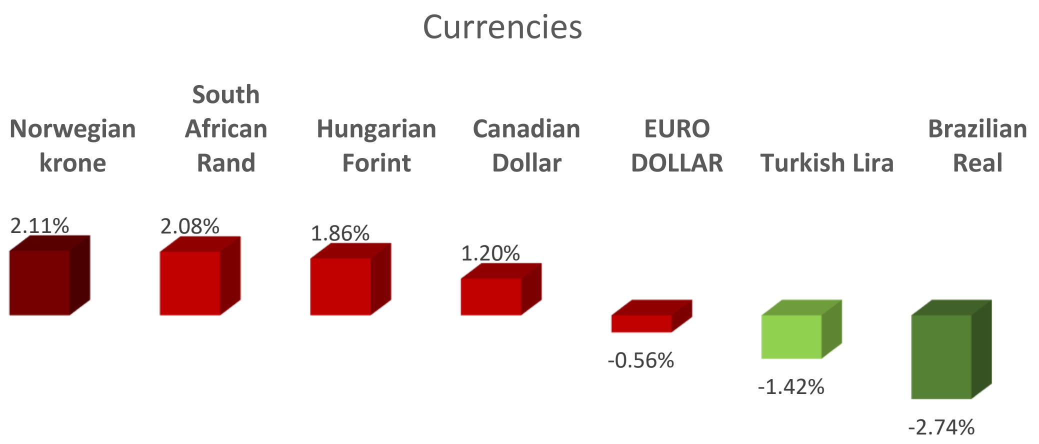


Figure 5: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

This week both Emerging market and developed market currencies were depreciated. Euro has closed lower this week against dollar. In the first half we saw volatile move in major currency & few popular currency pair from European nation also depreciated. Latin American currency shown appreciation this week & Brazilian real was best performer; Krone fall was in line with Crude oil performance.

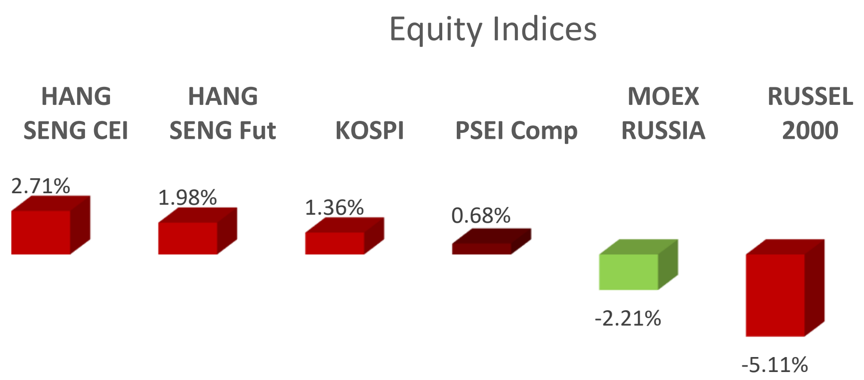


Figure 6: The chart represents the Equity Index returns over this week.

A volatile week was observed for equities especially in the second half. In US small caps and value stocks underperformed the broader market due to fall in the yields. In Asia, China Equities outperformed the peers along with gain in Indian indices too. In last trading session of this week, we have observed selling pressure in US equities.

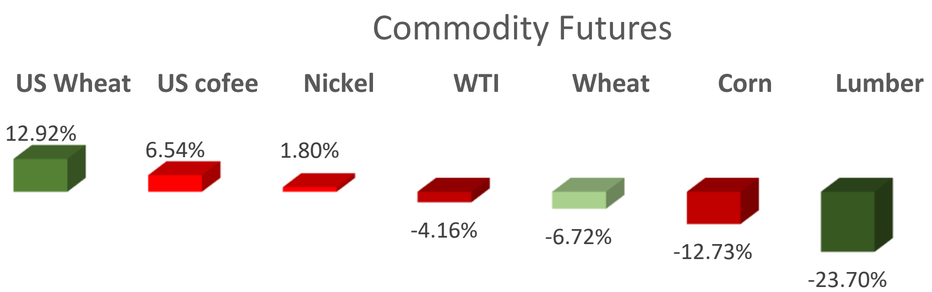


Figure 7: The chart represents the Commodity returns over the week.

We have observed mix performance this week in global commodity, Gold has shown stable performance current week supported by fall in US yields. This week lumber fallen further & now this commodity is topmost underperformer commodity in current year, oil we have noted heathy correction because of demand expectation fallen due to delta variant mainly in Asia. Silver also fallen this week in line with weakness we have noted in industrial metal.

GLOBAL FUND MANAGERS' STATEMENTS

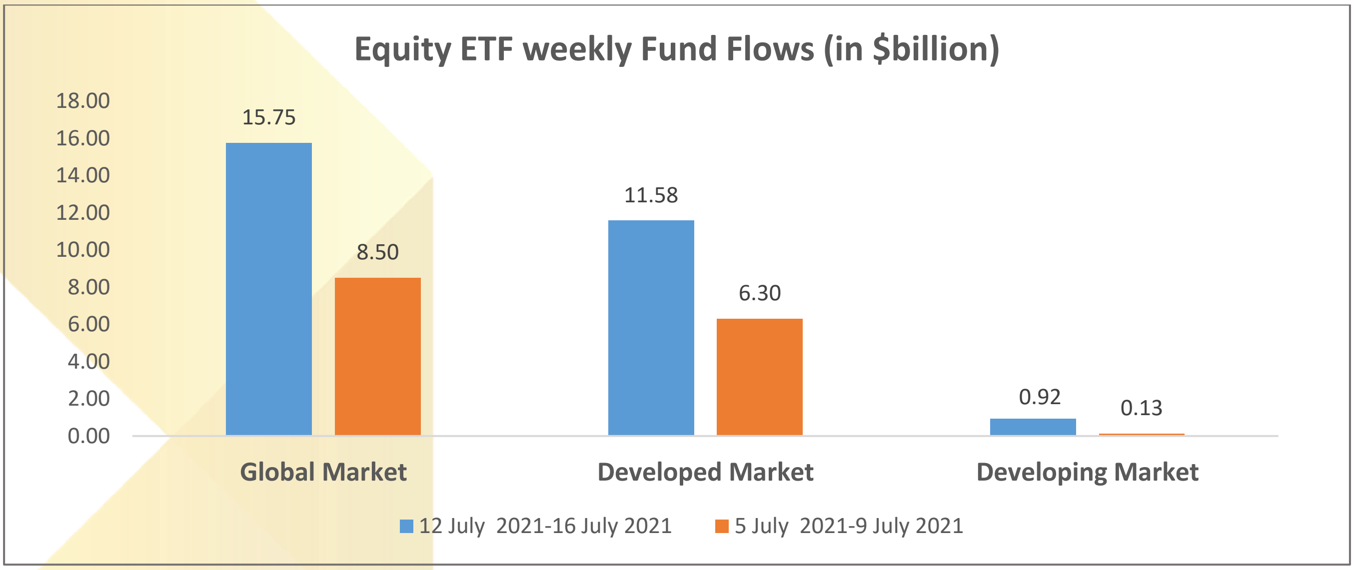
Jeffrey Gundlanch (CEO, Double line capital): "The current inflation scenario is reminiscent of the 1970s and the Federal Reserve needs to take action to temper the rising prices.

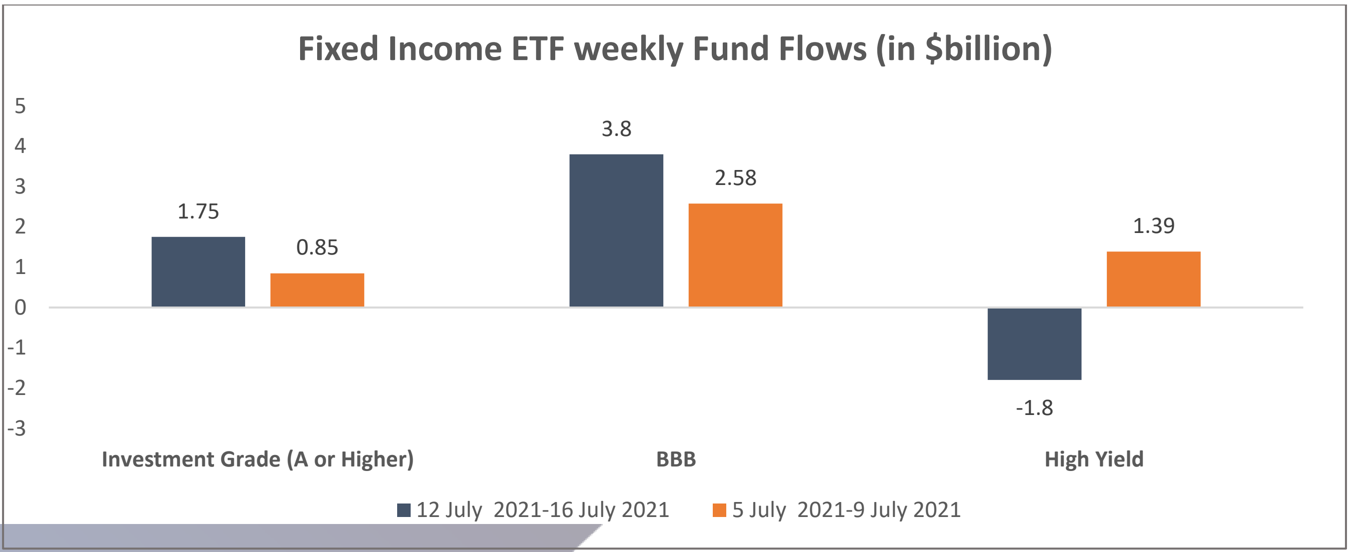
"When you look at real interest rates on long-date Treasurys, it looks like Jimmy Carter area," said Gundlach. "We're talking about the CPI at 5.4%, and if we want to use the 10-year Treasury it's not even at 1.4%, that's a negative 4% interest rate. That's Jimmy Carteresque."

Inflation readings have continued to roll in higher in recent months, as warned by the Federal Reserve, though the numbers lately have been higher than even the central bank may have anticipated. June's consumer price index came in at 5.4% — its largest year-over-year increase since 2008 — and the producer price index for last month jumped 7.3% on a year-over-year basis.

Gundlach compared the current period of rising prices to the 1970s, when inflation ballooned from 1% under President Lyndon Johnson in 1965 to a breakneck of near 15% in March 1980.

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

Equity markets, after starting the week on an ebullient note, have ended on a rather sombre tone. Because of covid resurgence fears and slowing growth concerns we witnessed a selloff in the latter half of the week. We believe that global equities after a stunning rise have largely peaked out and are eventually headed lower even though they may remain largely range bound for some more time. We expect Bitcoin to break down from its current rather tight range. High yield bonds have sold off recently and we expect more of the same in next few months. We believe that gold does not have much downside from current levels and is a great long term buy. We expect industrial commodities and EM currencies to remain sideways for some more time.

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