



PACE 360

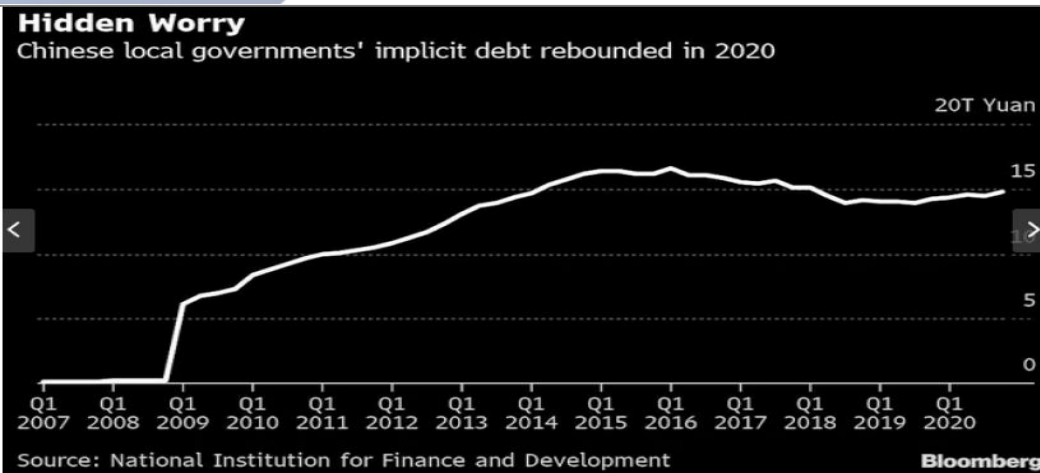
Weekly Report and Outlook on Global Markets

20th Aug 2021

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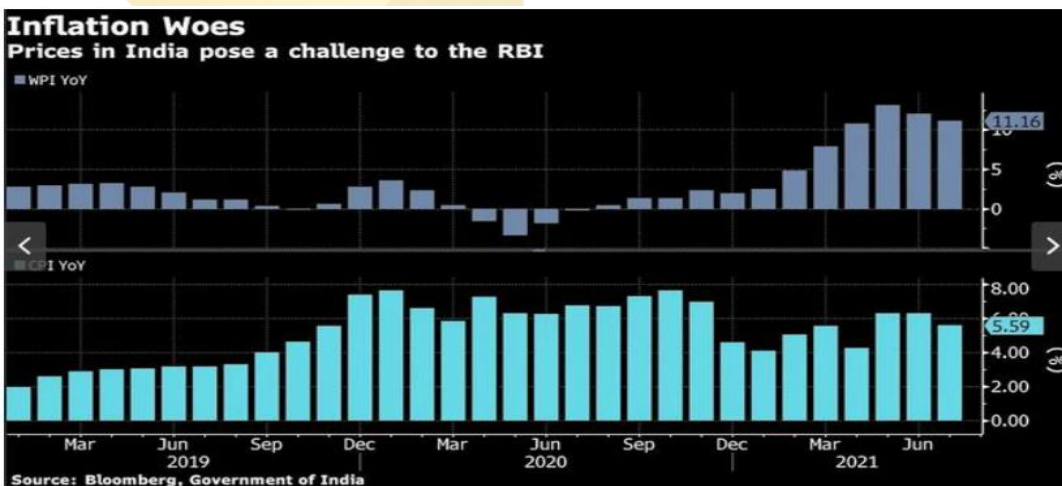
MARKET DEVELOPMENTS

China Looks to Be Quietly Defusing a Hidden Government Debt Bomb



China could be making inroads in a long-standing battle to deal with local governments' so-called "hidden-debt" as the economy's rebound gives officials room to focus on tackling financial risks. An analysis of local governments' finances shows a difference of 668 billion yuan (\$103 billion) between the amount of refinancing bonds sold in the first half of the year to roll over maturing debt and the amount of bonds repaid. That implies cities and provinces may have used some of the proceeds to repay off-balance sheet debt. It "should make a positive contribution to the economy, helping to increase the transparency of government financing, reduce government funding costs and lower financial risks in the system. Local authorities issued 1.9 trillion yuan of refinancing bonds in the six-month period, while only repaying 1.2 trillion yuan in official bonds, data from the Ministry of Finance last month showed.

Easy Money Fuels Inflation and World Beating Stocks in India



The Reserve Bank of India is helping to fan a world-beating share market rally with record-low interest rates and huge injections of liquidity -- even as inflation threatens to break back out of its target range. Overseas funds have poured \$7.2 billion into the nation's equities this year and net inflows are expected to continue. The market for initial public offerings is on a tear, thanks to a frenzy of interest in start-ups, and India looks set to attract investors who've been scared off by China's regulatory crackdown. Domestic institutions are also piling in, along with retail traders, contributing to a record \$3 billion that funnelled into equity funds last month. The benchmark S&P BSE Sensex has more than doubled from its Covid-induced nadir in March last year, with gains accelerating this month as it continues to extend record highs. The rally has made it the world's best performer in August among primary indexes of nations with an equity market capitalization of at least \$3 trillion.

MAJOR MOVES THIS WEEK

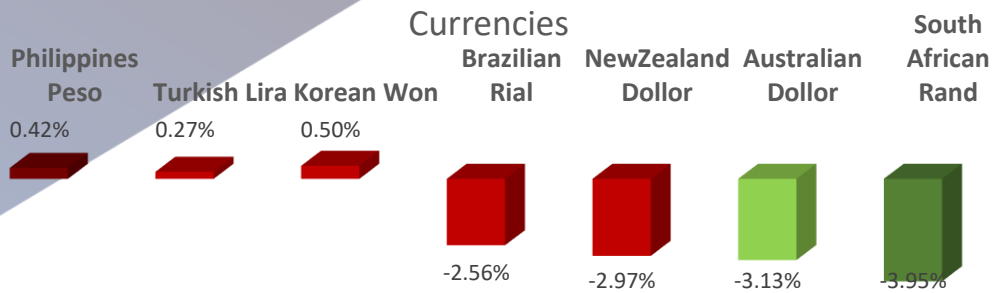


Figure 5: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

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 & other currency pair from European nation also depreciated in line with Euro. Major commodity producers' currency was major underperformer this week. On Forex pair in Asia were not seen much volatile move, rest other currency universe theme was in favour of Greenback only.

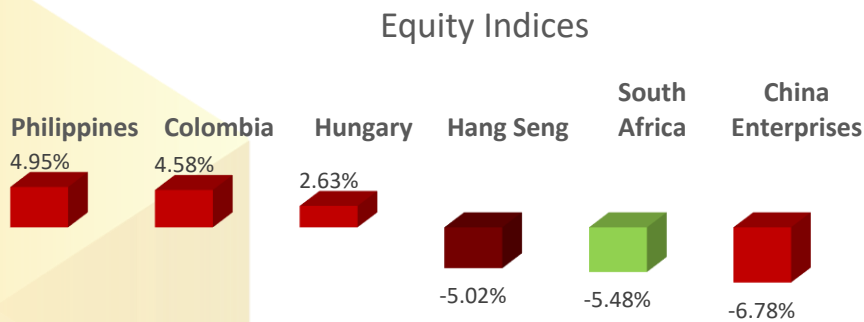


Figure 6: The chart represents the Equity Index returns over this week.

A volatile week was observed for equities especially in emerging markets after last week of stable performance. In US small caps and value stocks underperformed the broader market in line with fall in the us yields. In Asia, China Equities seen downside move with the peers along with major underperformance in Indian equity indices. In last trading session of this week, we have observed recovery in US equities.

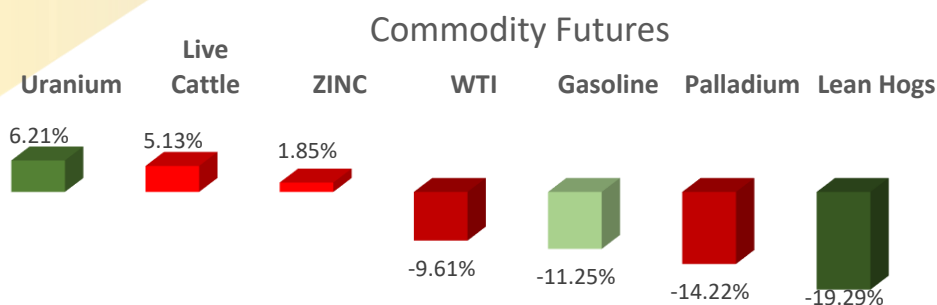


Figure 7: The chart represents the Commodity returns over the week.

We have observed negative performance this week in global commodity, Gold has shown stable performance while silver is underperformed. Oil fallen down this week due to question mark on worldwide travel activities as delta variant dominating in many part of the world. Copper also made rally bottom this week along with downside move in China equities, most of the industrial metals underperformed this week. Greenback performance was also key factor for commodities fall this week

GLOBAL FUND MANAGERS' STATEMENTS

Henrik Blomquist (CEO, Bure Equity AB): He says the blame lies with extensive economic support measures that are causing "the prices of many assets to increase sharply". The comments come at a time when Bure and its Swedish competitors, such as Kinnevik AB and Investor AB, have seen billions wiped off their combined market capitalizations amid analyst concern over inflated net asset value premiums.

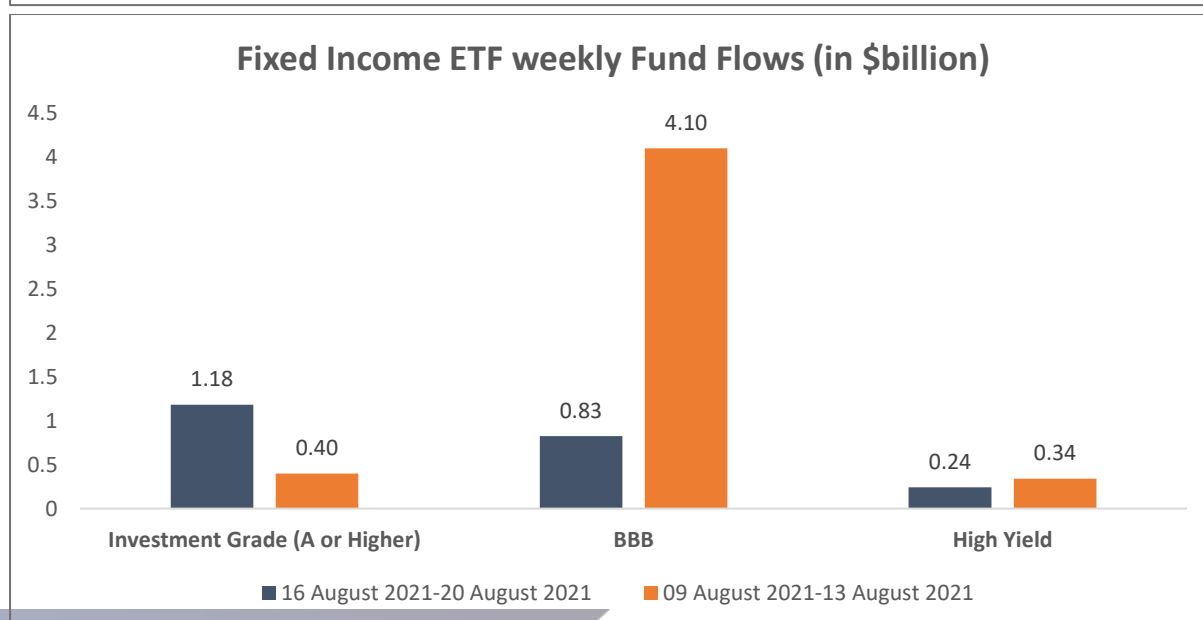
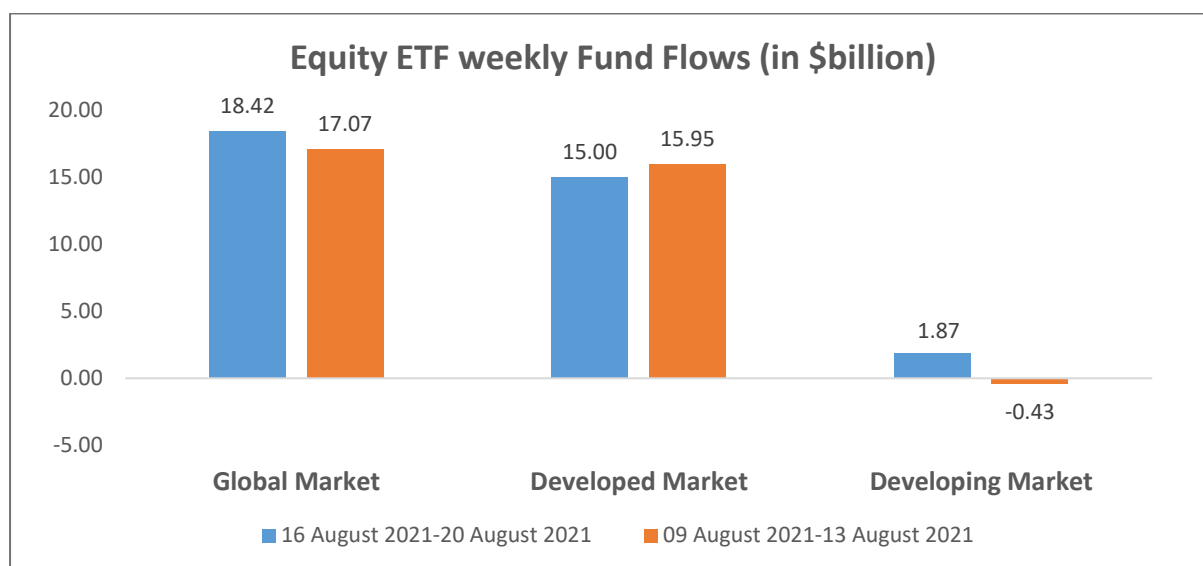
John Stoltzfus (Oppenheimer Asset Management's chief investment strategist): John Stoltzfus is encouraging investors to remain optimistic despite this week's wild market swings.

He doubts the Covid-19 delta variant and Federal Reserve tightening worries will spark a significant downdraft. "I not only think it can edge higher, I think it can likely see our \$4,700 target for the S&P 500 by the end of the year. What we're going through right now is quite natural as a transitional period.

We're coming out of the Covid situation," said Stoltzfus.

Stoltzfus suggested it's premature to worry about delta's impact on spending and slowing growth. "I'm not surprised at all that the consumers pulled back some," he said. "It does remain the main risk, but it would appear ... we are moving towards it lessening as a risk. And we think the market will recognize that shortly." He also said he expects the market to take the Fed's tapering plans mostly in stride.

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 subcategories as well

PACE 360'S FUTURE OUTLOOK

We witnessed a sharp correction in EM equities this week. US equities, however, did manage to recover from an intra week dip by the end of the week. We expect a relief rally in EM equities post the Jackson hole meeting. Some of the leading global equity indices like Nasdaq 100 and S&P 500 may make a new all-time high post Jackson hole. However, this is basically part of the peaking out process, and we do believe that global equities are headed down over the medium to long term post a short rally. We expect industrial commodities, EM currencies and Euro to have a relief rally too from their current beaten down levels.

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