Weekly Report and Outlook on Global Markets

27 Aug 2021

Hedge Funds Are Hot Again

Figure 1:This chart shows hedge fund % gain of previous 11 years

It's a feat that's rare even in a $4 trillion industry replete with superlatives, marking a hedge fund resurgence after a decade-long decline. But it holds a stark message for investors trying to get in on the nascent boom: it may already be too late to put money to work with the most promising money makers.

Across the industry, a record 1,144 hedge funds have stopped accepting new money, the most since data tracker Preqin started compiling the information. Of twenty multi-manager firms managing more than $220 billion collectively, thirteen are no longer taking in more cash, according to Julius Baer Group Ltd. Crucially, those closures are happening at some of the biggest and sought-after firms.

Global companies are so flush with cash that they are racing to bring back dividends

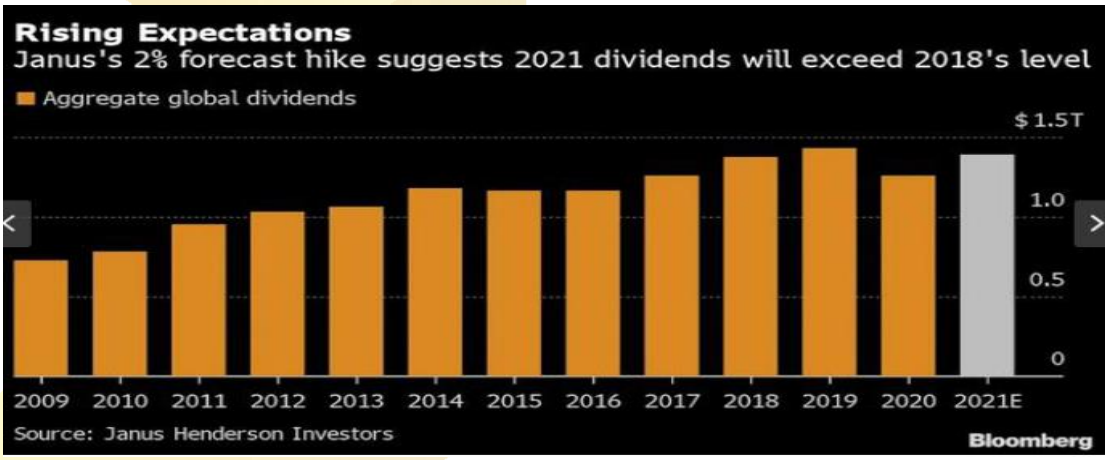


Figure 2: This chart shows divided pay out globally aggregate

Global companies are so flush with cash that they're racing to bring back dividends, according to a global study by Janus Henderson Investors.

Payouts are expected to reach $1.39 trillion this year, the second-highest total ever, wrote income money managers led by Ben Lofthouse. Janus said it's likely that dividends will hit pre-pandemic highs within 12 months.

Pandemic did less damage to corporate profits than they expected. Companies can ramp up dividend payments because they adapted to the difficulties of the pandemic and were supported by open credit markets and government aid programs, according to Janus. The road to recovery is looking uneven. Mining companies, one of the biggest dividends payers, are also riding the resurgence in commodity prices.

MAJOR MOVES THIS WEEK

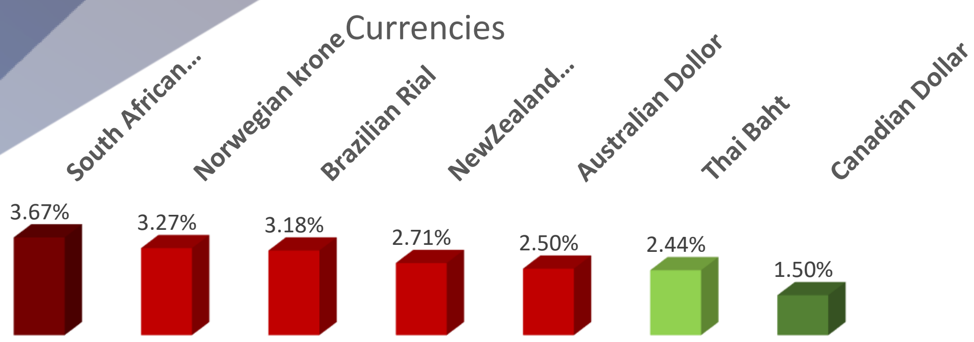


Figure 5: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

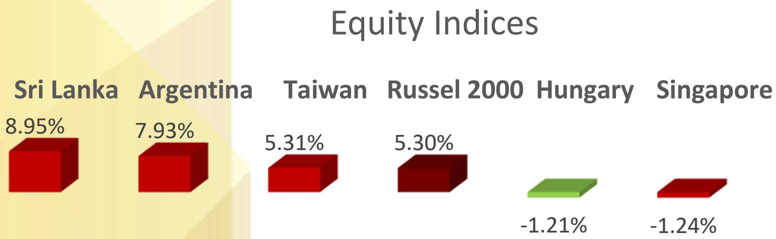


Figure 6: The chart represents the Equity Index returns over this week.

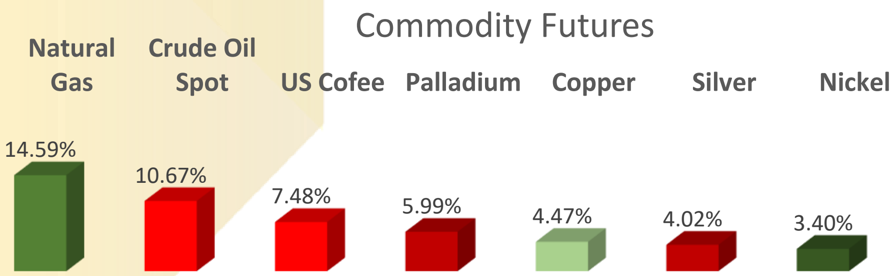


Figure 7: The chart represents the Commodity returns over the week.

GLOBAL FUND MANAGERS' STATEMENTS

Jeffrey Gundlach (Founder, Double Line Capital LP): US is running its economy like it doesn't care if the dollar loses its global reserve currency status. reiterated his long-held view that the dollar is going to go depreciate further versus peers the next few years, blaming the US's current economic policies for the situation.

"We're running our economy in a way that is almost like we're not interested in maintaining global reserve currency status,". While the US economy rebounded by consumption, a lot of the consumption went straight to China, he said. In fact, Gundlach said China's economy is growing at such a rapid pace some economists are estimating it will become the largest in the world by as early as 2028.

"China's made no secret of the fact that they want to be a global player and have at least a seat at the table of global reserve currency status," he said, adding that China has "made no secret of the fact that they want their military to be dominant, maybe the biggest in the world."

Michael Burry (Founder, Blue Whale Capital): Michael Burry are signalling that investors should beware of frothiness in parts of the tech sector. That doesn't phase 43 year-old Yiu, who prefers the reliability of Google over Netflix Inc., or brands that are now so ingrained in the minds of millennials that the dot-com crash of two decades ago is a mere blip in their browsing history. People who are "say maybe 10 years older than me, so in their 50s, they probably were in the market at the time, and they got burnt," Yiu said in an interview at his Mayfair office. "They still think that tech today is the same thing as what happened then, and is going to go bust."

"Google is not going to go bust. Microsoft is not going to go bust," added Yiu. "I mean, if the shares go down in any shape or form, you buy it. It's just like, there is no bubble."

Peter Boockvar (Chief investment officer at Bleakley Advisory Group): Peter Boockvar is sounding the alarm on a housing price bubble brought on by the Federal Reserve's Covid pandemic policies.He warns first-time homebuyers are most vulnerable to dramatic losses."I feel bad for the people who bought homes over the past year because they're the ones that paid the very elevated prices,". He singles out those who put down 5% amid historically low mortgage rates. If home prices correct by 10%, Boockvar sees a world of pain.

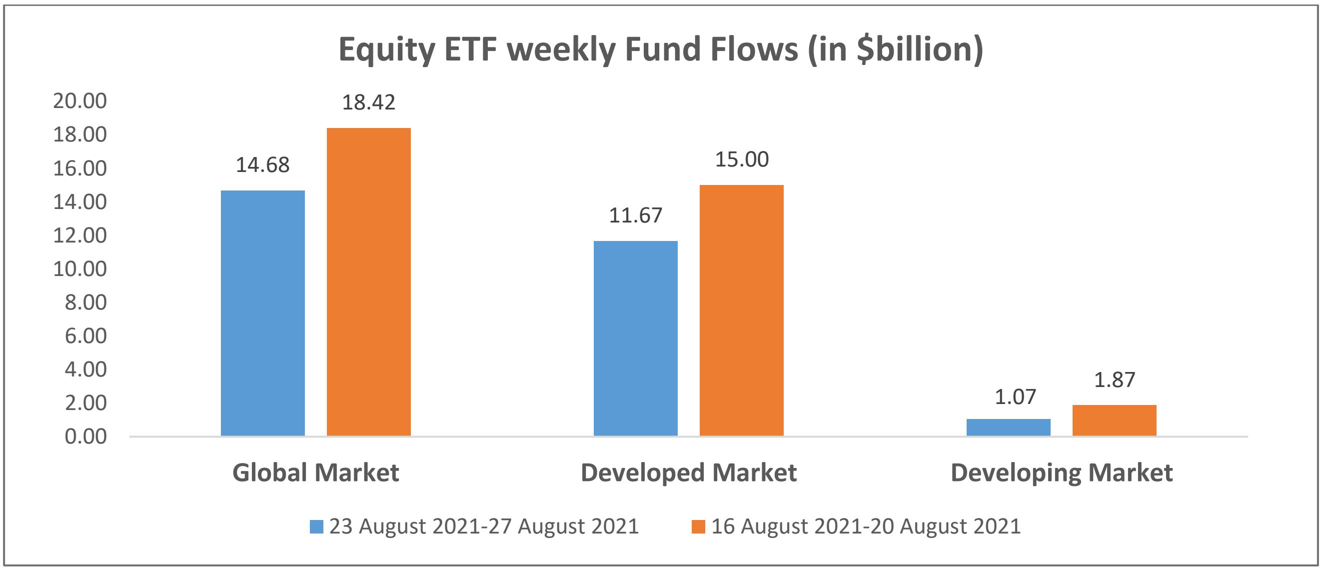
Greg Jensen (Co-chief investment officer, Bridgewater Associates): The Federal Reserve will likely taper its asset purchases faster than the markets expect, and interest rates will rise more quickly as well, "There's certainly inflation well above their target and we think it will continue to accelerate if the Fed doesn't move."

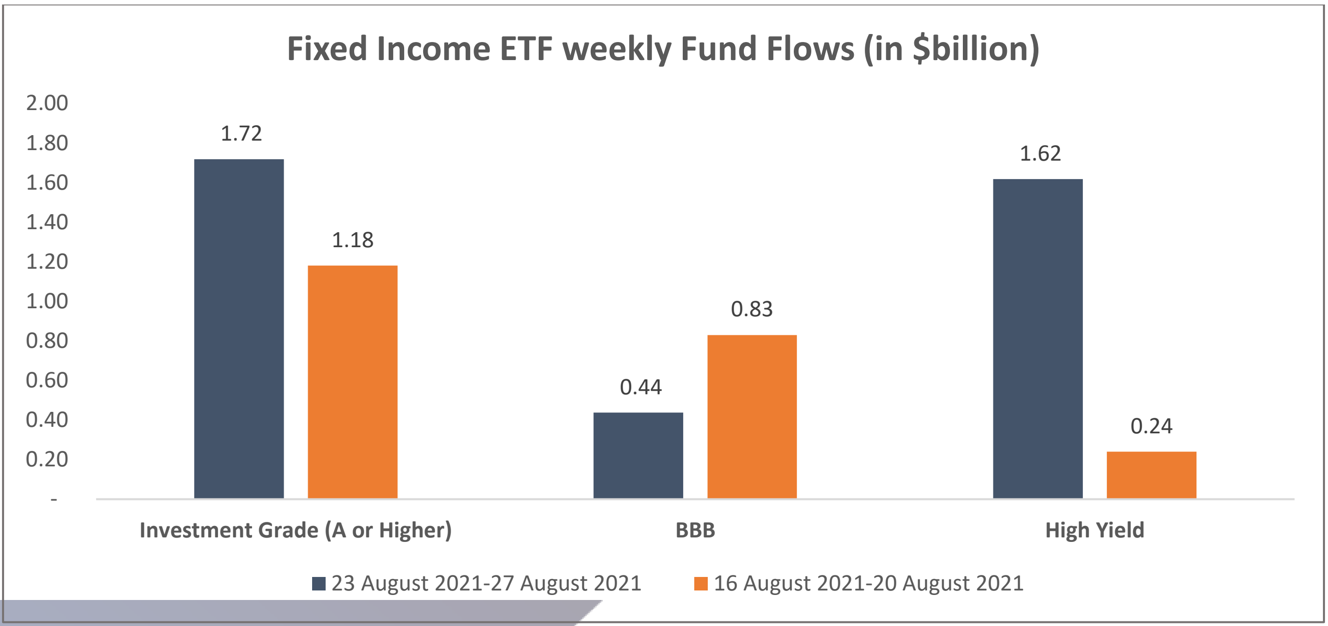
The central bank's accommodative monetary policy in the face of robust growth presents opportunities for investors. "The biggest arbitrage you can take in the world right now is take what the policy makers are giving you," Jensen said. "They're giving you incredibly low interest rates relative to high nominal GDP growth."

Fernandez (CEO, MSCI): MSCI Inc., the world's biggest index provider, shook off concerns about the "investability" of Chinese stocks following Beijing's recent regulatory crackdown, citing previous instances where markets rebounded in the aftermath.

Regulatory compliance has weighed on China "every three, four, five years and obviously the markets have sold off at the time. But very quickly afterwards, the markets have recovered and gone through to new heights,".

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

Risk assets had a stellar week with Equities, commodities and EM assets also doing extremely well both before and after the Jackson hole symposium. We believe that risk assets may continue the upward momentum for another few days or so. However, on a longer-term basis risk assets, particularly equites are looking toppish. The right strategy could be selling risk assets into the crescendo around global equities. US Treasury yields seem to have topped out and will be headed lower over the next couple of months.

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