Weekly Report and Outlook on Global Markets

03rd June 2022

China Raises Pressure on Banks to Help Struggling Developers

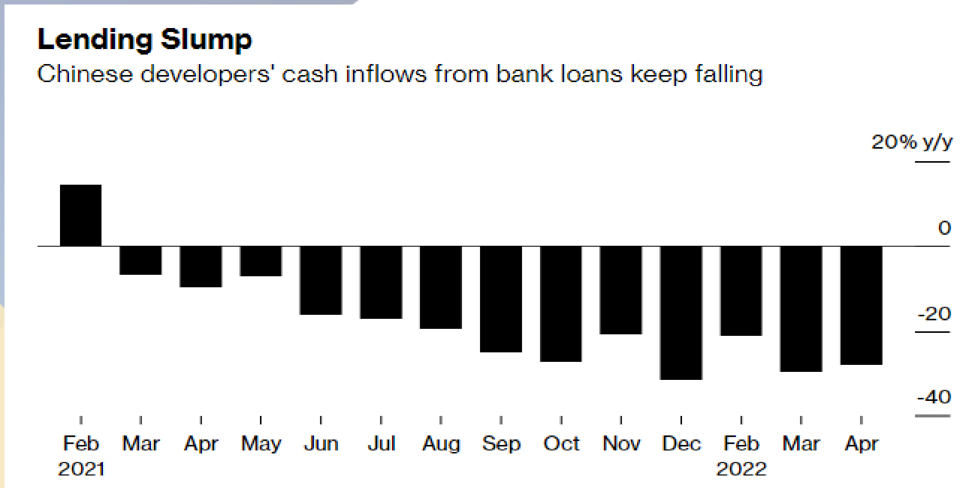


Figure 1: The above chart shows YoY change in Chinese developers' cash inflows from bank loans

Chinese banks are facing growing pressure to support cash-strapped developers after months of pleas by regulators failed to boost lending to the industry. Builders and regulators are counting on banks to provide a lifeline to the industry as bond funding and home sales dry up. Yet developers' cash flows from bank loans have plunged almost 30% in recent months, undermining President Xi Jinping's efforts to arrest a property slump that's worsening a slowdown in the world's second-largest economy.

Longest streak of sub-2% overnight borrowing costs since May 2020

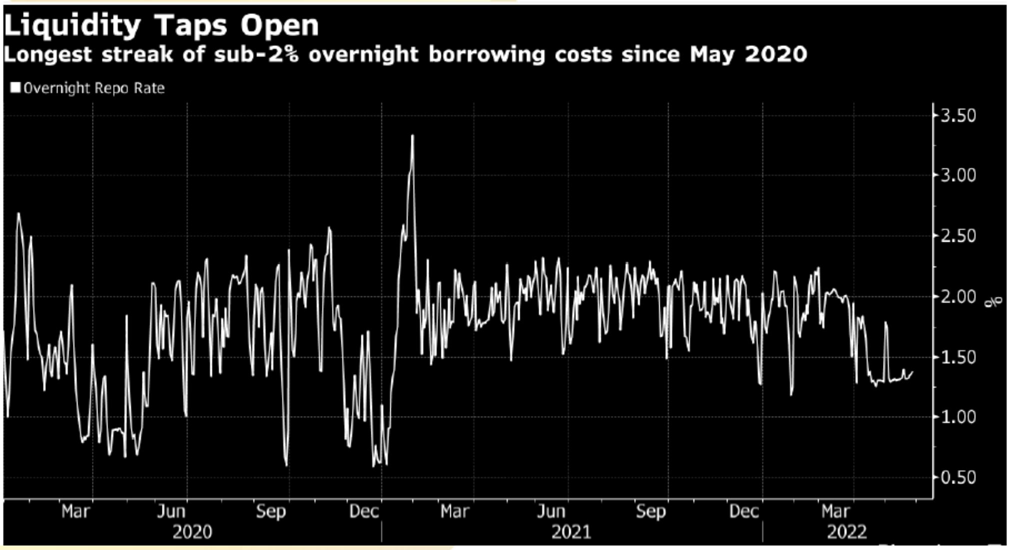


Figure 2: The above chart shows China's overnight Repo rate

China's overnight interbank rate has stayed below 2% since late March, in a sign that liquidity remains abundant in the banking system. That's the longest streak of sub-2% levels for the gauge since the beginning of the pandemic in 2020. It indicates that efforts from policymakers to stoke credit growth have been futile so far. China's current stimulus package may be insufficient to boost the economy and bond repurchase agreement rates could remain low until the property sector rebounds.

MAJOR MOVES THIS WEEK

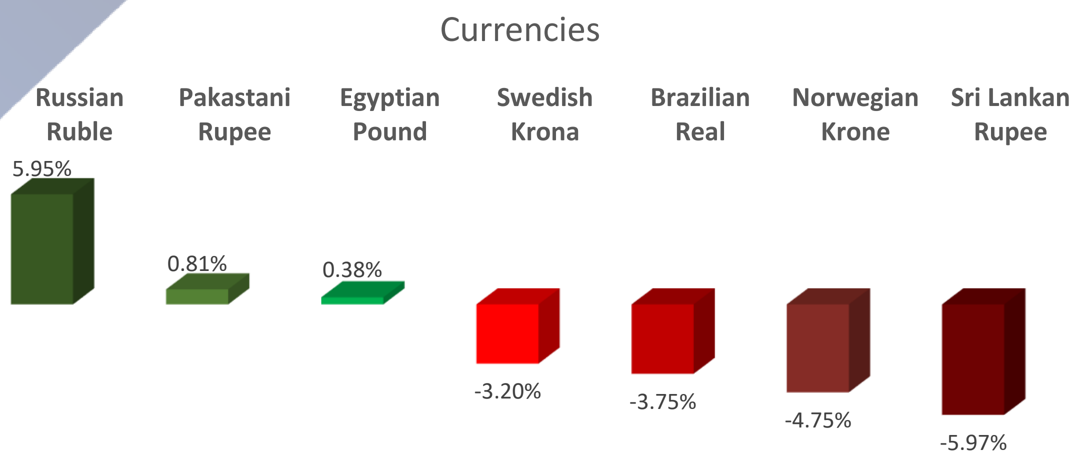


Figure 3: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

This week we have seen weak performance in the global currencies. Euro, British Pound, and Yen depreciated against the Dollar this week. Emerging market currencies have given weak performance against the dollar.

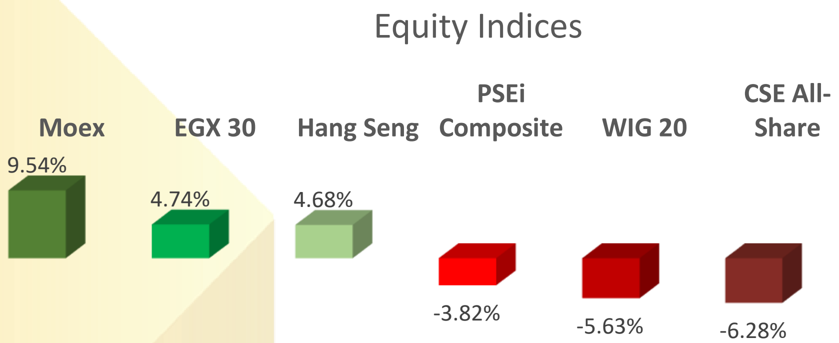


Figure 4: The chart represents the Equity Index returns over this week.

This week we have seen mixed performance in the global equities markets. European equities have given a weak performance, Euro Stoxx 600 was a looser during the week. Emerging market equity indices gave mixed performance. Nasdaq 100 and S&P 500 have shown declines during the week..

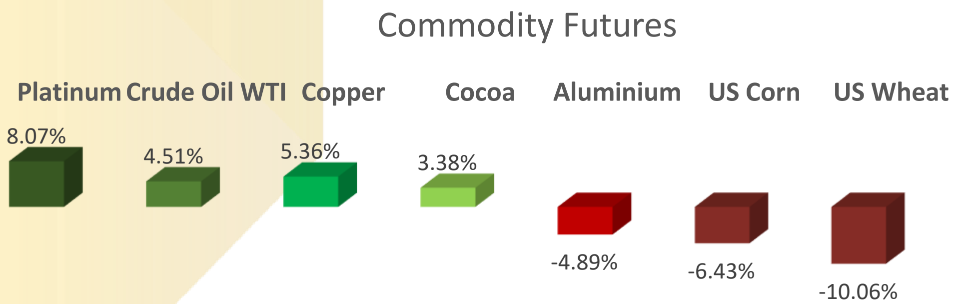


Figure 5: The chart represents the Commodity returns over the week.

Commodities have shown a strong performance during the week. We have seen strength in industrial metals. Crude appreciated during the week, while Natural gas depreciated. Gold and Silver depreciated during the week. We have seen mixed performance in agricultural commodities.

GLOBAL FUND MANAGERS' STATEMENTS

Stephen Bird (Abrdn CEO): Indian and Chinese stock market capitalization may grow fourfold by 2050 as Asia turns from "laggard to leader" in the climate transition.

He also noted that the region's share of the global economy has become eight times larger than it was during the Asia Financial Crisis of 1997.

"Capital markets have also evolved and the region has switched from being mostly a destination for foreign investors to one where local investors dominate its markets," Bird said.He added that "the next 30 years looks to be every bit as exciting as the last," and recommended investors remain calm during periods of volatility, keeping their "eye on the long game." "China and India are expected to become the world's largest and third largest economies respectively in the next decade while their consumers will increasingly dictate global tastes and trends. Capitalization of their equity markets could also increase by a factor of four or more by 2050," Bird predicted.

Stephen Poloz (Former BOC head): "I certainly would agree that there's a substantial window available still to avoid a recession and still get the situation normalized," he said. On inflation in Canada, Poloz said that it is "transitory", in the sense that it will dissipate eventually. He noted that the term "transitory" in an economic sense doesn't mean that the consumer prices will normalize soon after rising, but simply that inflation will eventually stop rising.

The latest Consumer Price Index (CPI) in Canada, as of April, stands at 6.8% a 30-year high.

"I do think that a great deal of the inflation we're observing is transitory in a technical sense that it will go away, over the next, I would say, 12 months, a little longer, perhaps, depending on what happens with oil prices due to the Russian conflict and Ukraine," he said.

Jamie Dimon (JPMorgan Chase CEO.): You know, I said there's storm clouds, but I'm going to change it … it's a hurricane," quoted Dimon as saying at a financial conference in New York. "You'd better brace yourself … JPMorgan is bracing ourselves, and we're going to be very conservative with our balance sheet."

And even though the economic situations seem "fine" right now, it is still unclear whether it will be "a minor" hurricane or "Superstorm Sandy."

"Right now, it's kind of sunny, things are doing fine, everyone thinks the Fed can handle this," Dimon said. "That hurricane is right out there, down the road, coming our way."

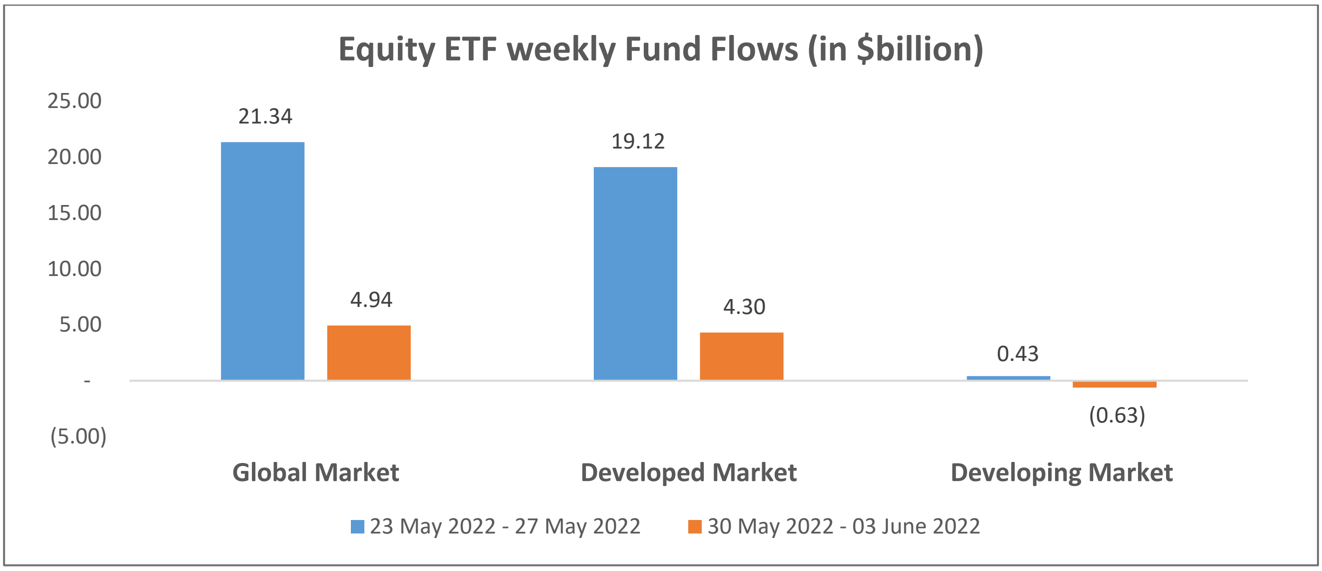
The two most significant risks on Dimon's radar are the Fed's quantitative tightening (QT) that is kicking off on June 1 and the impact of the war in Ukraine on commodities."We've never had QT like this, so you're looking at something you could be writing history books on for 50 years," Dimon said. "Wars go bad, [they] go south in unintended consequences," Dimon said. "We're not taking the proper actions to protect Europe from what's going to happen to oil in the short run."

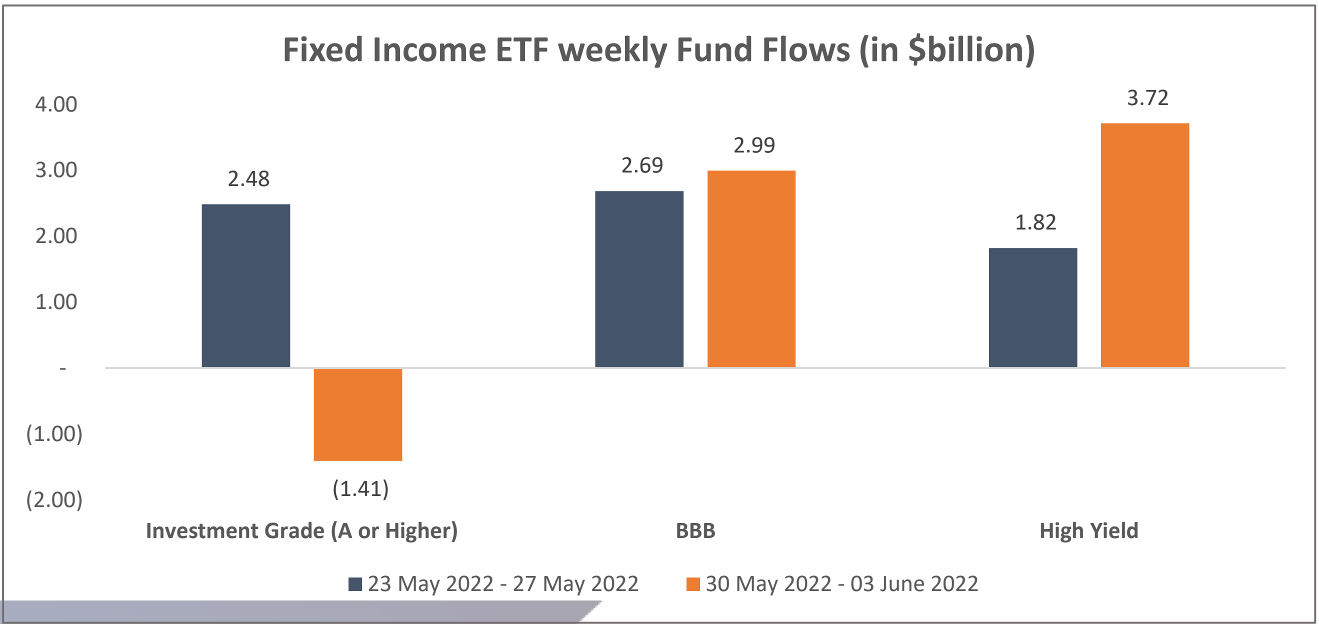
Janet Yellen (U.S. Treasury Secretary): Janet Yellen admitted that she was "wrong" about where inflation was heading."I think I was wrong then about the path that inflation would take,". "As I mentioned, there have been unanticipated and large shocks to the economy that have boosted energy and food prices and supply bottlenecks that have affected our economy badly that I didn't at the time fully understand, but we recognize that now."

"So really, the shocks to the economy have continued, but inflation is the number one concern for President Biden," Yellen said. "We can't rule out further shocks."

U.S. Treasury Secretary pointed to new shocks making inflation worse, including Russia's invasion of Ukraine and China's zero-COVID policy.

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

EM equities went up last week while US equities corrected. We believe that global equities may have made an interim top last week and may have some more downside to them in the run up to ECB’s and FED's June meetings. However, equities may remain broadly sideways for the next 6-8 weeks before the next onslaught of the ongoing bear market. Longer term US Treasuries are a great buy for the next 2 years and gold remains our preferred asset class for the next 4-5 years. We see industrial and agro commodities as largely sideways for now. We remain extremely bearish on crypto currencies for the long term.

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