



**PACE 360**

# Weekly Report and Outlook on Global Markets

01<sup>th</sup> July 2022

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## MARKET DEVELOPMENTS

### Topix's quarterly slump proves mild versus global peers



Figure 1: The chart shows spread between quarterly performance of Topix Index and S&P 500 Index

While global stocks head for their worst quarter in more than two years, Japan's market is staying relatively stable. The nation's benchmark Topix is down 3% since the end of March, about a fifth of the loss on the S&P 500 and less than a third of the drop on the Euro Stoxx 50. Japan's gauge is beating its US counterpart by the widest margin in almost a decade as a depreciating yen supports exporters. Still, that gap could shrink if Japan's currency weakens about 4 more yen against the dollar, possibly tempting the Bank of Japan to take action.

### Cash trading volume has nearly halved from its peak in early 2021



Figure 2: The above chart shows 30 day moving average of India equity cash market turnover

Stocks in India seem to have averted a bear market for now but signs are showing that the pain for equities is far from over as cash trading volumes on India's stock exchanges have dwindled sharply in the last two months. Stock trading backed by cash has dropped by more than 45% from a peak in early 2021, based on its 30-day moving average. Trading volumes have been on the lower side, suggesting a lack of conviction on the part of traders to take big bets.

# MAJOR MOVES THIS WEEK

## Currencies

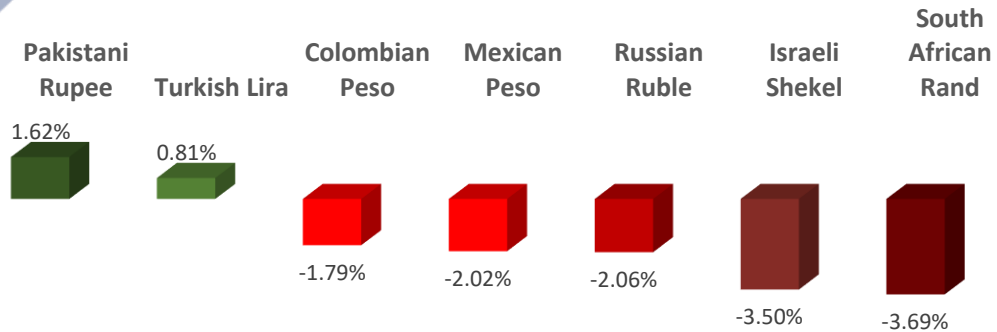


Figure 3: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

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

## Equity Indices

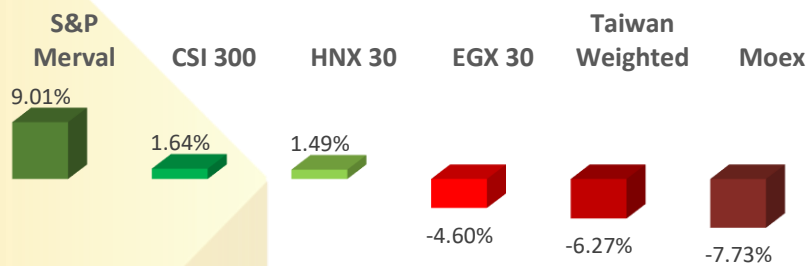


Figure 4: The chart represents the Equity Index returns over this week.

This week we have seen weakness 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 depreciated. Nasdaq 100 and S&P 500 have shown sharp declines during the week.

## Commodity Futures

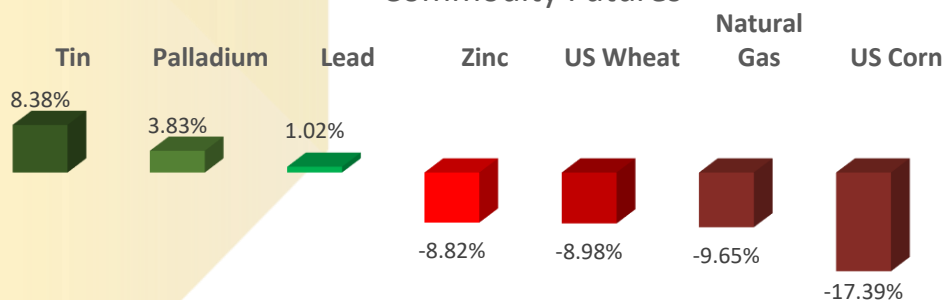


Figure 5: The chart represents the Commodity returns over the week.

Commodities have shown a weak performance during the week. We have seen weakness in industrial metals. Crude appreciated while Natural gas depreciated strongly during the week. Gold and Silver depreciated during the week. We have seen weakness in agricultural commodities.

## GLOBAL FUND MANAGERS' STATEMENTS

**Elliot Herman (Partner at PRW Wealth Management in Quincy):** “We all understand that markets go through cycles and recession is part of the cycle that we may be facing. However, since no one can predict if and when a downturn will occur, Herman pushes for clients to be proactive and make sure their portfolio is ready.

Months of stock market volatility, surging inflation and rising interest rates have left many investors wondering if a recession is coming.

**Anthony Watson (President of Thrive Retirement Specialists in Dearborn, Michigan.):** Diversification is critical when preparing for a possible economic recession.

You can reduce company-specific risk by opting for funds rather than individual stocks because you’re less likely to feel a company going bankrupt within an exchange-traded fund of 4,000 others, he said.

He suggests checking your mix of growth stocks, which are generally expected to provide above-average returns, and value stocks, typically trading for less than the asset is worth.

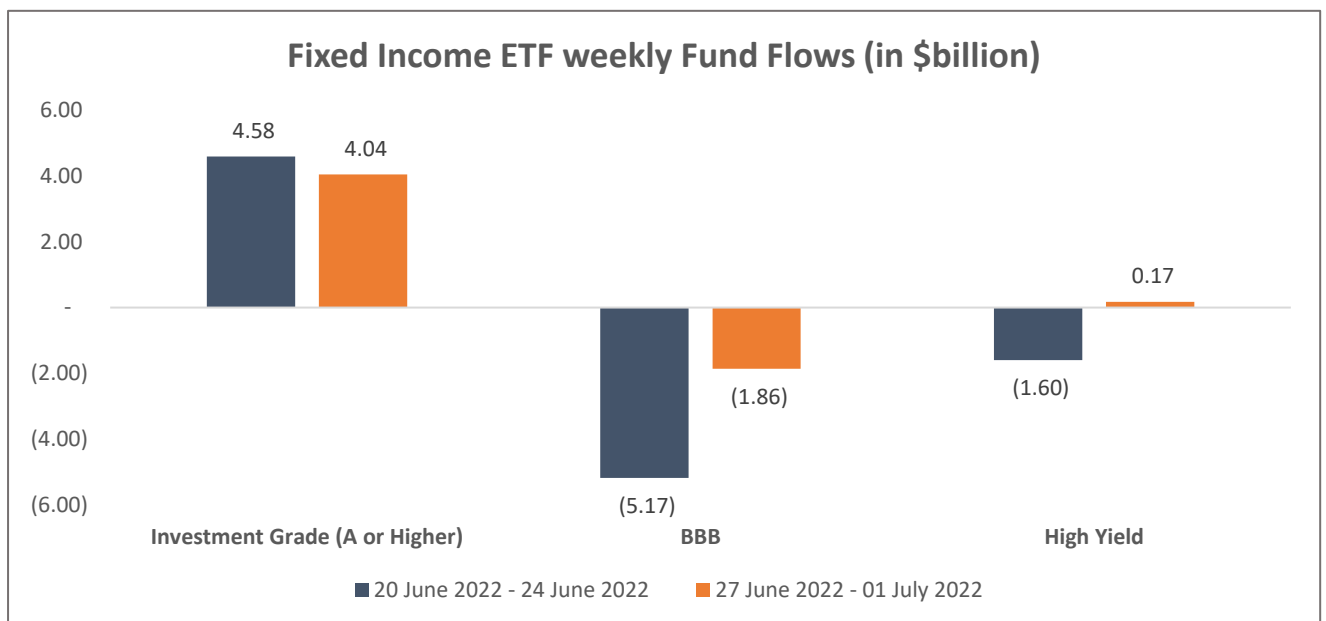
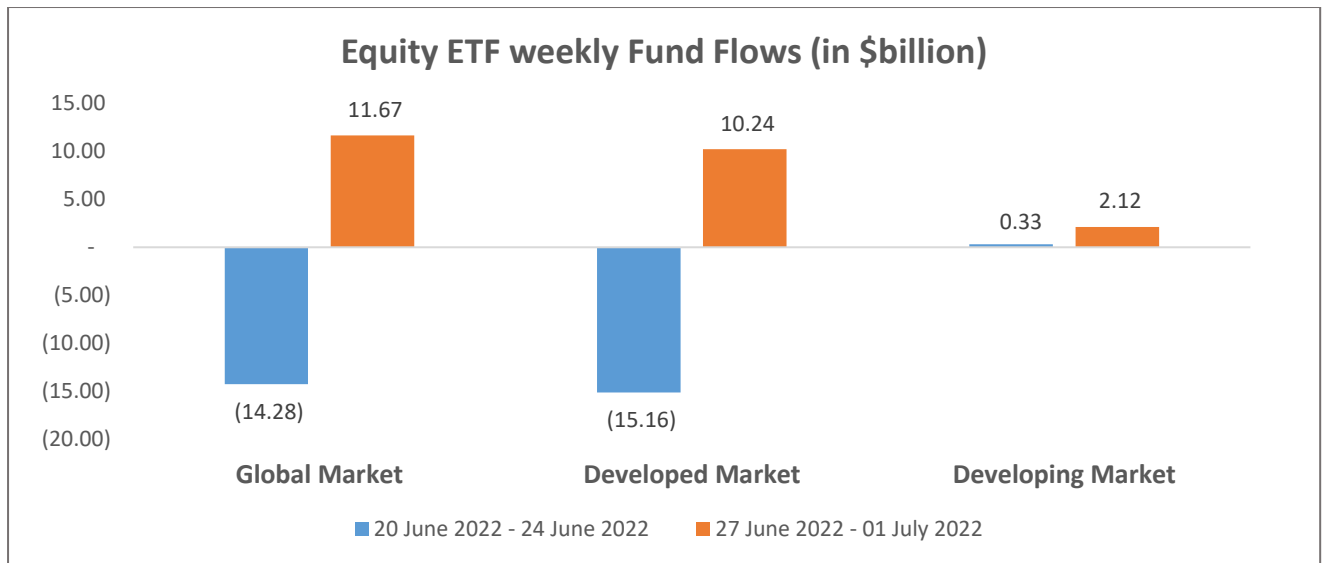
“Value stocks tend to outperform growth stocks going into a recession,” Watson explained.

International exposure is also important, and many investors default to 100% domestic assets for stock allocations, he added. While the U.S. Federal Reserve is aggressively fighting inflation, strategies from other central banks may trigger other growth trajectories.

**Herman (PRW Wealth Management):** Also consider duration, which measures a bond’s sensitivity to interest rate changes based on the coupon, time to maturity and yield paid through the term. Generally, the longer a bond’s duration, the more likely it may be affected by rising interest rates.

“Higher-yielding bonds with shorter maturities are attractive now, and we have kept our fixed income in this area. Amid high inflation and low savings account yields, it’s become less attractive to hold cash. However, retirees still need a cash buffer to avoid what’s known as the “sequence of returns” risk.

## GLOBAL ETF FUND FLOWS



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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

US equities had a down week while some of the EM markets like China and Brazil bucked the trend. We expect global equities to be largely rangebound for the next few weeks. We still expect EM assets to outperform over the next couple of months with EM currencies turning the corner against US dollar. US Treasuries have started a bull run in the last couple of weeks and we expect them to continue to outperform for the next couple of years.

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