Weekly Report and Outlook on Global Markets

22nd July 2022

The Star 50 Index has performed onshore peers since inception

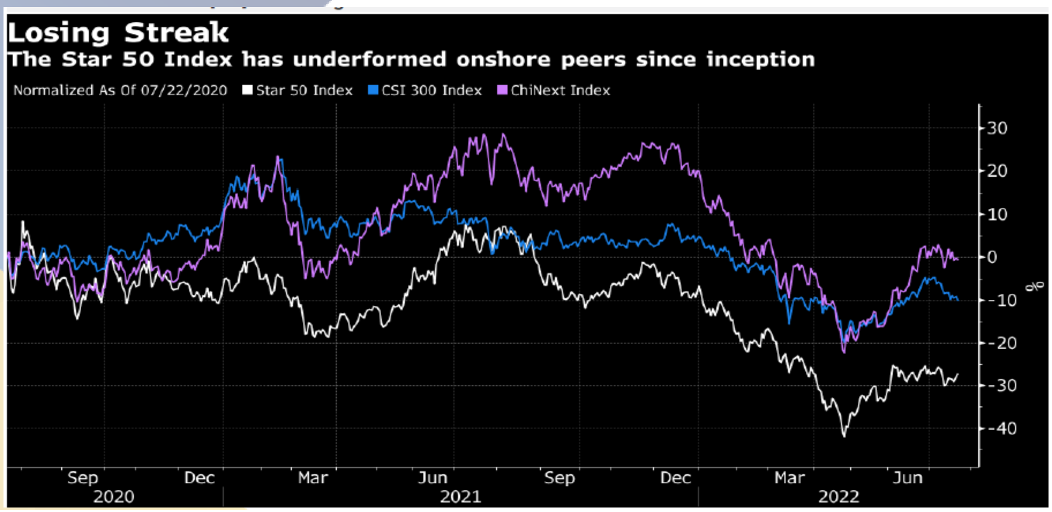


Figure 1: The chart shows the performance of Star 50, CSI 300 & ChiNext Index since 22nd July, 2020.

The third year anniversary of China's Nasdaq-style Star board's trading debut comes with little market excitement as its benchmark remains a losing bet. The Star 50 Index has lost over 25% since inception, far trailing the country's other gauges, and faces another pressure point as the board's lock-up expiries reach a peak this month. The index, launched a year after the board's debut, has seen huge volatility at times as heavy weightings of semiconductor and biotech names made it more prone to swings amid economic headwinds and political developments like US-China tensions.

Nifty's correlation with moves in the S&P 500 has surged

Figure 2: The above chart shows the 30 days correlation between Nifty 50 and S&P 500.

Stocks in India are moving in parallel with US peers at the closest pace since early 2021, with a 30-day correlation coefficient measure between the NSE Nifty 50 and S&P 500 indexes recently reaching 0.68 out of a possible 1.0. The moderating outlooks for inflation -- especially energy-driven -- and Fed interest-rate hikes may be connecting points, with foreign institutional investment outflows from Indian equities moderating in July.

MAJOR MOVES THIS WEEK

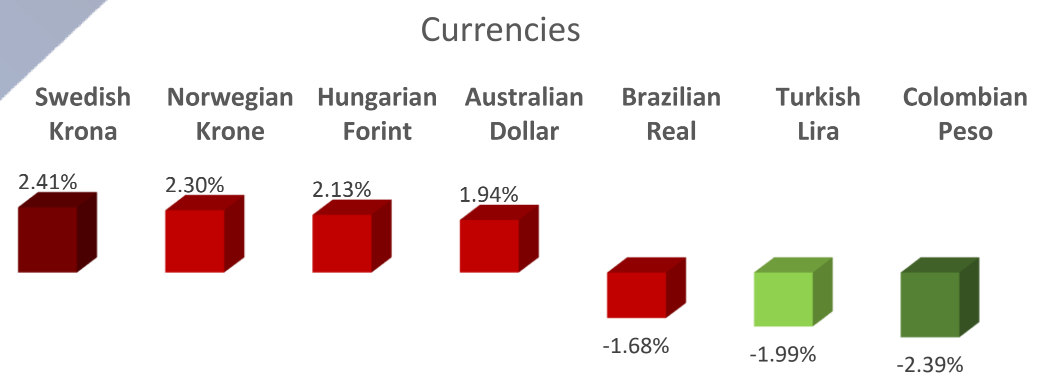


Figure 3: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

This week we have seen strength in the global currencies. Euro, British pound, and Yen all appreciated against the Dollar this week. Emerging market currencies have given strong performance against the dollar.

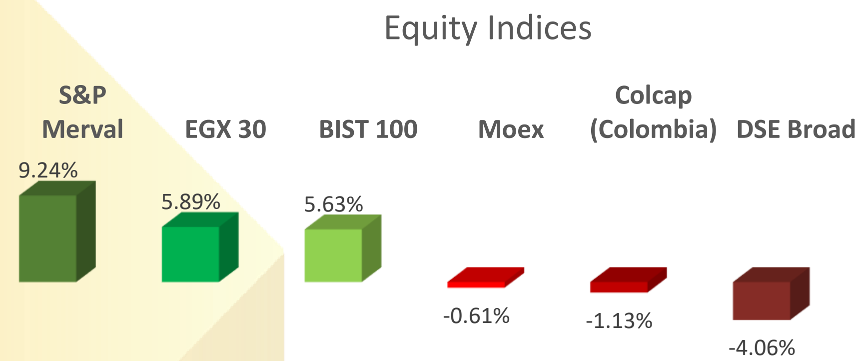


Figure 4: The chart represents the Equity Index returns over this week.

This week we have seen strength in the global equities markets. European equities have shown strong performance, Euro Stoxx 600 was a gainer during the week. Emerging market equity performed strongly. Nasdaq 100 and S&P 500 have shown strength during the week.

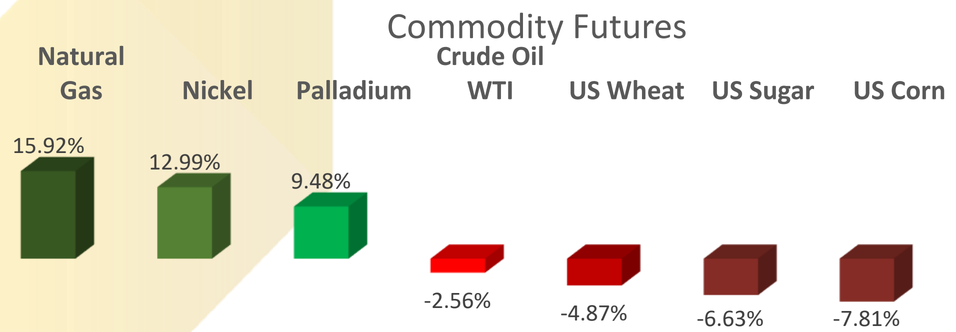


Figure 5: The chart represents the Commodity returns over the week.

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

GLOBAL FUND MANAGERS' STATEMENTS

Nathan Sheets (Economists, Citi Group): Citigroup Inc. economists have labeled a global recession a "clear and present danger," while repeating they estimate a 50% probability of such a slump. Now expect the world economy to grow 2.9% this year and 2.6% in 2023, slightly lower than previously.

That means global growth will be below trend with the US and euro area expected to slip into mild recessions over the next 12 to 18 months.

"On balance, our forecast sees the global economy skating through and avoiding a synchronized downturn," the economists said. "The risks to our forecast look skewed heavily to the downside. As such, we also reaffirm our 50% recession call articulated.""Global recession is, indisputably, a clear and present danger," they said..

Brian Moynihan (Chief Executive Officer, Chief Executive Officer): The Federal Reserve will have a tough time fighting inflation by slowing the US economy because consumers are continuing to spend. "It's a much different environment when you have the kind of fundamentals that are strong," Moynihan said, adding that the Fed has to act to tame inflation. "The core debate right now is: Can they slow the economy down?" The Federal Reserve will have a tough time fighting inflation by slowing the US economy because consumers are continuing to spend.

David Solomon (Goldman Sachs CEO): Inflation is deeply embedded in the economy and it's unclear whether the situation will improve later this year.I expect there's going to be more volatility and there's going to be more uncertainty and in light of the current environment we will manage all our resources cautiously," Solomon said.

The uncertainty has Solomon operating his New York-based bank cautiously, and the firm has opted to slow its rate of new hires and cut the professional fees it pays, according to management.

Stephen Moore (Chief Economist at FreedomWorks and a former Trump economic advisor): In addition to high inflation and a looming recession, the United States can add a housing bubble to its list of possible economic woes,

"I'm really nervous about the housing market," he said. "We've had a red-hot housing market now for five or six years. And I pray we're not facing a bubble like we did in 2007 to 2008."He implied that bad economic policy is to blame for much of the economic malaise.

"Our big mistake was just spending so much money that we didn't have," he explained. "The debt binge is very worrisome to me."

Arthur Laffer(Reagan's former economic advisor): Arthur Laffer, expects inflation to continue to accelerate, and to be well outside of the preferred range of 2 percent until 2026. "You don't need a recession to bring down inflation," said Laffer. "We need tight money, and tax cuts to increase the supply of goods and services."

Laffer, who advised U.S. Presidents Ronald Reagan and Donald Trump, explained that when taxes are cut, this causes firms and individuals to produce more, which reduces prices.

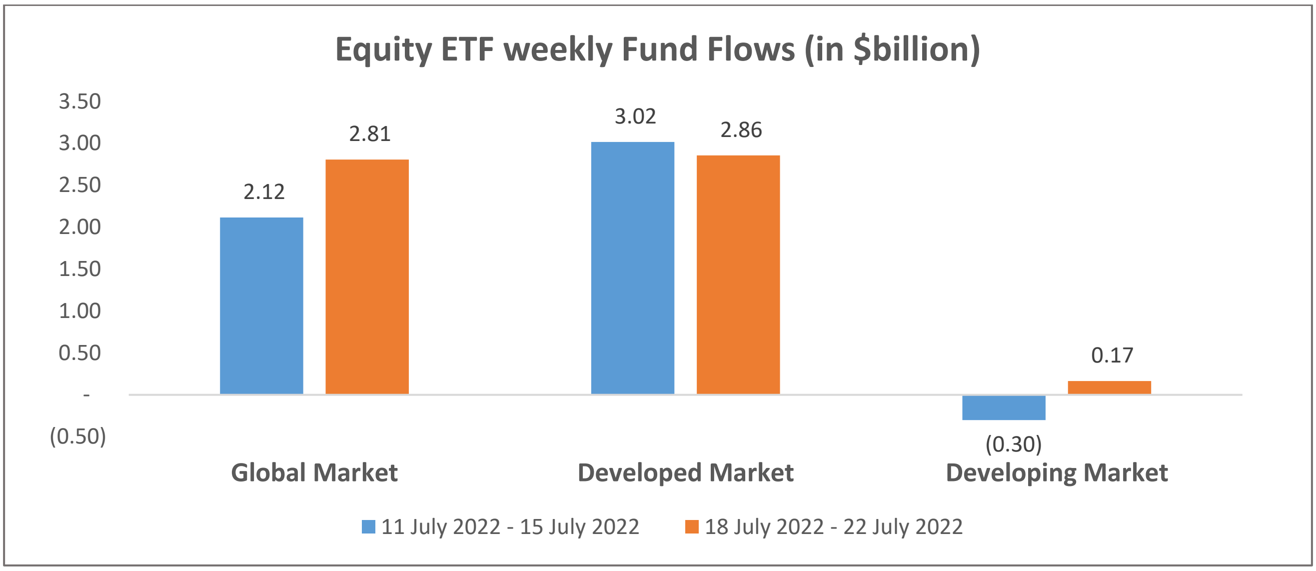
He said, "if you have a bumper crop in apples, what happens to the price of each apple? It goes down. If you have a bumper crop in the production of goods and services, what happens to the price of each unit? It goes down, the inflation gets stuck."

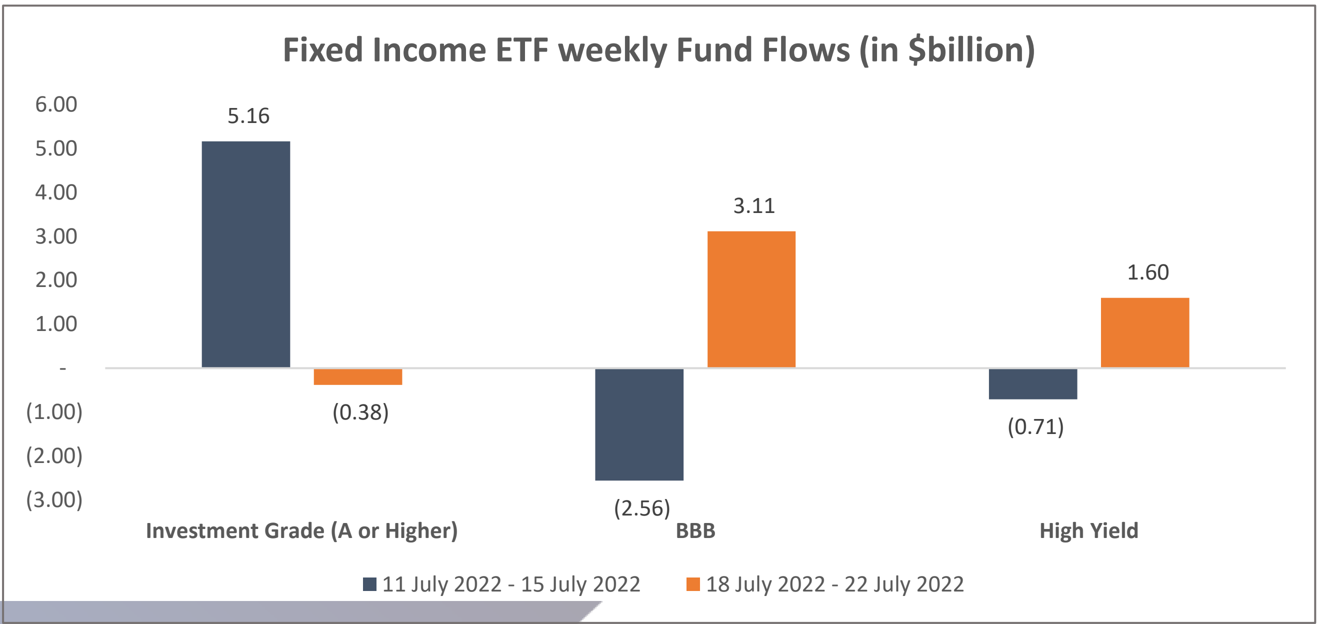
Stephen Roach(Economist): China's economy is set for a weak recovery and a recession cannot be ruled out, warned economist Stephen Roach.

"It's tempting to say that there'll be a repeat of what we saw in 2020, when the economy collapsed nearly 7% year-on-year rate, and four quarters later, was soaring at 18%," said the former Morgan Stanley Asia chairman on Friday.

"But I think it's unlikely that that will be the case.

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

We believe that the relief rally in global equities has topped out. The equity markets may become sideways with a bearish bias for now. We don't see a deep cut in equities in the next few weeks though. We remain bullish on long term US Treasuries. We believe gold has bottomed out on a long term basis and will go up by 50% over the next 3 years. We believe dollar index has topped out and will fall by 20-25% over the next 5 years. We have yet again become bearish on crypto assets where we see a long and protracted downturn ahead

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