Weekly Report and Outlook on Global Markets

8th July 2022

MARKET DEVELOPMENTS

Is a Recession Coming? Investors Turn to Earnings for Clues

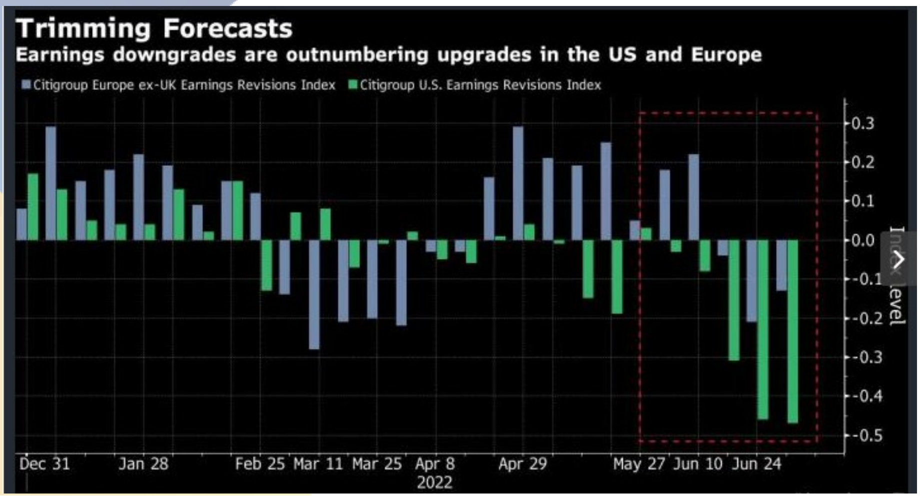

Figure 1:The above chart shows Citi group Europe ex-UK earnings recession index & US earning revision index

After a tumultuous first half for global equities, with $18 trillion in value wiped out, investors are anxious to see if profits are holding up or if companies will cut guidance amid the intensifying threats to demand. Businesses may use the dour economic picture to be even more conservative than otherwise about the future.

Energy Stocks Were the Place to Hide Out This Year. Not Anymore

Figure 2: The above chart shows underperformance of energy stocks against oil

Investors are losing one of their few places of refuge in this year's stock market plunge, as the selloff in energy shares that started last month is leaving them with nowhere to hide. Energy is the worst performing group in the S&P 500 Index over the past five sessions and is in the red again Friday. The S&P 500 Energy Sector index is down 18% since the start of last month, compared with a 6% decline in the S&P 500.

MAJOR MOVES THIS WEEK

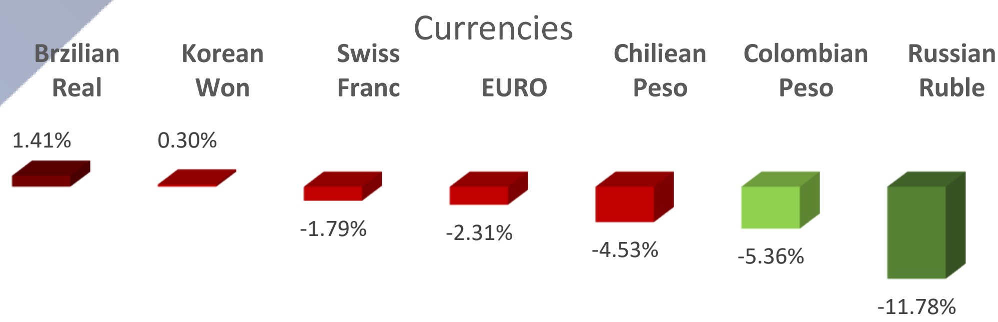

Figure 3: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

This week we have seen weakness in the global currencies. Euro and British pound depreciated & EURO made multi decade low against dollar. Emerging market currencies also went down against Greenback. Russian Rubble was the worst performer currency for this week.

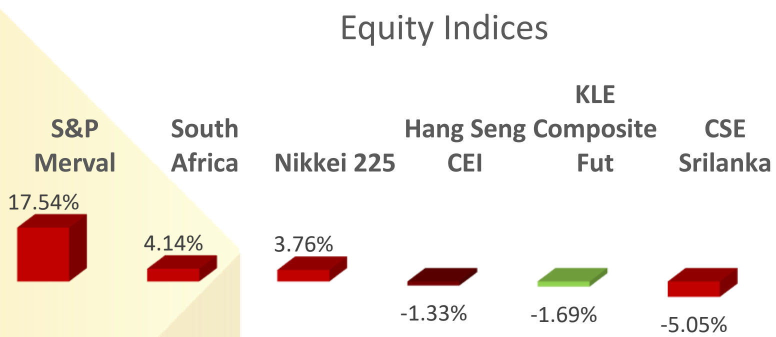

Figure 4: The chart represents the Equity Index returns over this week.

This week we have seen mixed performance in Global Equities. European equities outperformed this week. Nasdaq & S&P both shown stable performance. While Indian market was also one of the best performing markets is last few trading session. All over this week was stable for equity markets.

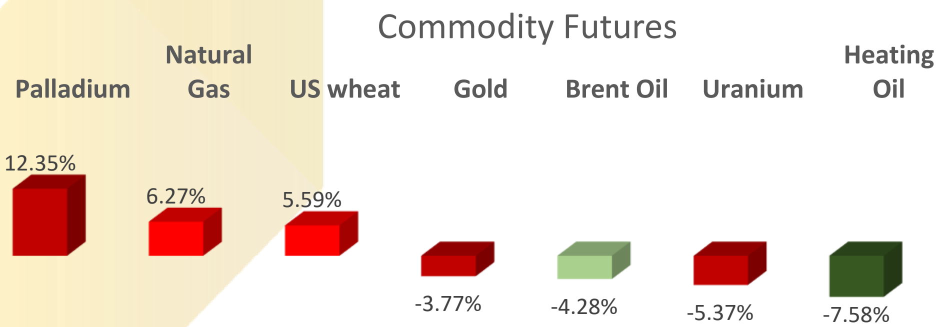

Figure 5: The chart represents the Commodity returns over the week.

Commodities went down this week due to weak performance given by EURO. We have seen Gold & Silver also went down this week & Silver made its 52 weeks bottom this week. Only stable performance given by industrial metals except copper. All key agriculture commodity weakend this week.

GLOBAL FUND MANAGERS' STATEMENTS

Ray Dalio (Bridgewater founder): "My main point is that while tightening reduces inflation because it results in people spending less, it doesn't make things better because it takes buying power away. It just shifts some of the squeezing of people via inflation to squeezing them via giving them less buying power," he writes.

"[O]ver the long run the Fed will most likely chart a middle course that will take the form of stagflation." Chinese tech stocks haven't exactly been market darlings. Ecommerce giant Alibaba Group, for instance, is down 40% over the last 12 months.

But Bridgewater Associates still likes the company. As of Mar. 31, it owned 7.5 million shares of Alibaba — a stake valued at $813.9 million at the time.

The downturn in Alibaba shares could give contrarian investors something to think about. In fact, we might be at an inflection point already.

Dan Suzuki (Richard Bernstein Advisors): You still have historically low interest rates," he said. "… And you also have negative interest rates on an inflation-adjusted basiswarns the market is far from bottoming — and it's a concept investor fail to grasp, particularly when it comes to growth, technology and innovation names.

"The two certainties in this world of uncertainty today is that profits growth is going to continue to slow and liquidity is going to continue to tighten. That's not a good environment to be jumping into these speculative bubble stocks." It's kind of a do not touch story," he said. "The time to be bullish on these stocks as a whole is if we are going to see signs of a bottoming in profits or you're seeing signs that liquidity is going to get pumped back into the system."

Prem Watsa (Founder, chairman and CEO of Toronto-based Fairfax Financial Holdings): The expectation that the share of state-owned enterprises in the overall market cap will decline in India also bodes well for the country, he said. Listed public sector enterprises make up 10% of the combined market cap of the top 50 companies in India, compared to 45% in China.

Finally, according to him, manageable public debt levels, comfortable foreign reserves and the possibility of a large section of the population moving into the middle class with development make India the number one investment spot.

Rob Subbaraman (Chief economist at brokerage firm Nomura holdings): Many of the world's leading economies will fall into a recession within the next 12 months as central banks move to aggressively tighten monetary policy to fight surging inflation. "Right now central banks, many of them have shifted to essentially a single mandate — and that's to get inflation down. Monetary policy credibility is too precious an asset to lose. So they're going to be very aggressive,"

"That means front loading rate hikes. We have been pointing for several months about the risks of a recession and we've bitten the bullet. And now we have many of the developed economies actually falling into recession," he added.

In addition to the U.S, Nomura expects recessions in the euro zone, the U.K., Japan, South Korea, Australia and Canada next year, the brokerage firm said in a research note.

PACE 360'S FUTURE OUTLOOK

There was a blow out rally in Nasdaq and across a gamut of EM indices this week. We believe that the best part of the global equities rally is now behind us. We expect global equities to become sideways for now even though on a longer term basis we remain extremely bearish. We expect the current bear market to play out completely only by 2025 or so. We remain very bullish on longer term US Treasuries. We believe gold and silver have bottomed out and will soon restart a multi-year bull market. We believe US dollar is very close to its long-term top and could start a downtrend against DM currencies very soon.

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