# Weekly Report and Outlook on Global Markets

5th Aug 2022

# MARKET DEVELOPMENTS

***Brent Oil's premium to middle east marker keeps plunging***


**Figure 1:The above chart shows spread between Brent Vs Dubai Crude**

A complex web of cross-currents in the oil market has eroded the premium commanded by global benchmark Brent over Dubai crude, a key Middle Eastern marker. The gap shrank to less than $7 a barrel on Thursday, the narrowest in more than three months. While Brent has been hit by concerns over a global slowdown, weaker demand, and increased Libyan flows, Gulf grades have been supported by a tiny supply hike agreed by OPEC+ and its warning there's very limited spare capacity.

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


**Figure 2: The above chart shows MSCI Europe Consumer Staples forward P/E relative to MSCI Europe**

European food and beverage stocks could be at risk after the MSCI Europe Consumer Staples index hit a 60% premium to the broader market, with relative valuation at a 14-year high. Strategists from JPMorgan Chase & Co. and Barclays Plc see the sector as expensive, while elevated raw material costs are likely to put pressure on margins. Viewed as a haven against inflation and weak economies, the sector is the most over-owned relative to history, according to Bank of America Corp.'s fund manager survey from July.

# MAJOR MOVES THIS WEEK

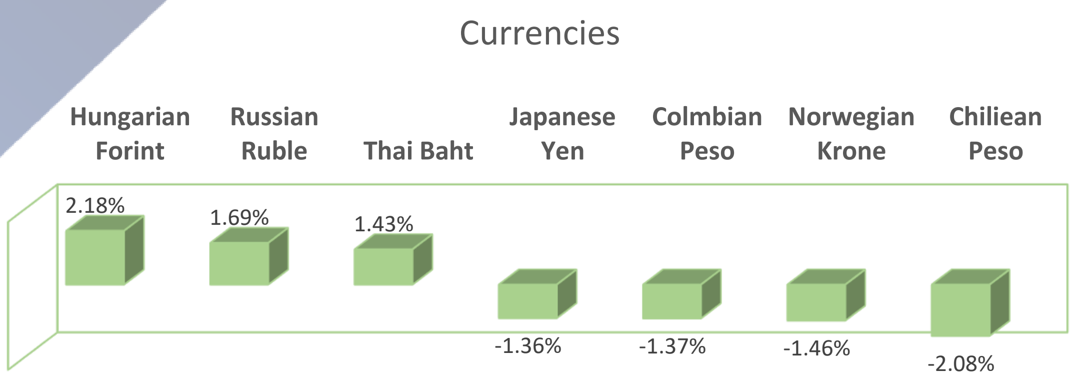


**Figure 3: The graph represents Currency returns with respect to US Dollar as the base currency for this week.**

This week we have seen weakness in the global currencies. Euro and British pound depreciated.

Emerging market currencies also marginally down against Greenback. Japanese Yen weakened against dollar in last trading session of the week. We have also seen weakness in Australian Dollar & New Zealand Dollar.

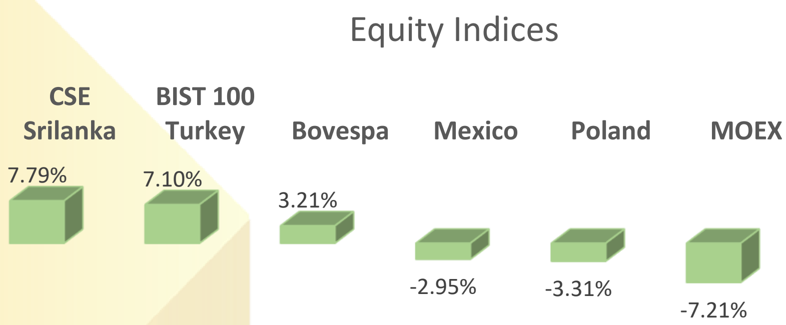


**Figure 4: The chart represents the Equity Index returns over this week.**

This week we have seen mixed performance in Global Equities. European equities shown underperformance 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.

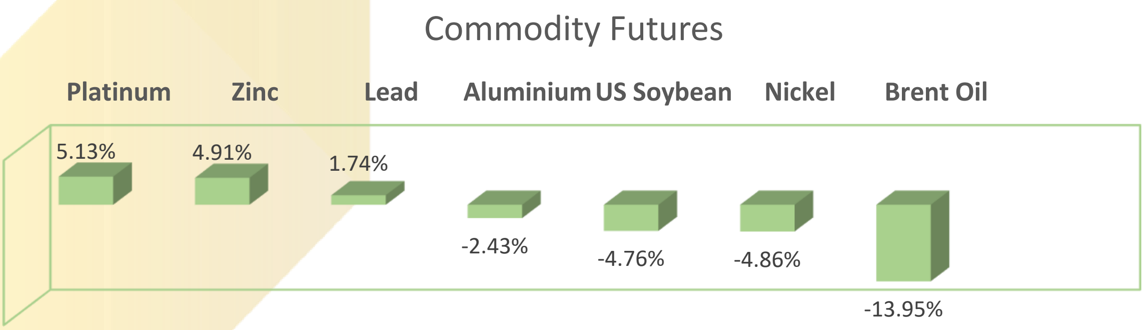


**Figure 5: The chart represents the Commodity returns over the week.**

Commodities went down this week due to weak performance given by EURO. We have seen Silver& other industrial metals also went down this week. Crude was worst performer commodity for this week. All key agriculture commodity shown mixed performance this week.

# GLOBAL FUND MANAGERS’ STATEMENTS

**Jason Shapiro (Principal at JS Shapiro LLC):** If history is a guide, then markets won't recover for another decade. "The type of money that piled into the stock market over the last couple of years is not money that historically makes good returns," he said. "My feeling is that in the long-term… I don't think there's going to be any positive return on the stock market… 'Buy-and-hold' for the next 10 to 15 years is not going to be very good."

Shapiro suggested that trading within the market is the best way to make returns. Shapiro pointed to Japanese stock market history, claiming that even in a down market, profits can be made. The Nikkei 225 is an index of Japanese stocks.

"The Nikkei is down about 28 percent from its highs, thirty-two and a half years ago," he explained. "In those thirty-two and a half years… there are something like 40 moves where the market moved 20 percent or more… so there's plenty of money to be made."

Shapiro is a 'contrarian investor,' meaning he takes positions oppose to consensus positions in the market. His philosophy implies that when markets get 'overcrowded,' then a correction is due.

"I personally do not use price as an indicator," he said. "I strictly look at participation. In other words, if people are too short, I'm going to buy. If people are too long, I'm going to sell."He mentioned that there are two data sources he uses to gauge participation: The Commitment of Traders Report and the options volatility skew. The rest of his trades are carried out based on "discretion."

**Cecilia Mariotti (Goldman strategists):** The recent brisk rebound in equity markets won’t last as macroeconomic data continue to deteriorate and earnings forecasts are being slashed. “Without clear signs of a positive shift in macro momentum, temporary re-risking could actually increase risks of another leg lower in the market rather than signal the end of the bear market,”

With investors once again flocking to equities in recent weeks, Goldman strategists said market positioning has improved from a very bearish level seen in June, and the swing in asset allocation could fuel the rally in the short term. But ultimately, the strategists said they’re “not convinced that we are past the ‘true’ trough in positioning just yet, and we think the path from here is likely to become more dependent on macroeconomic data.”

**Sarah McCarthy and Mark Diver (Strategists Sanford C. Bernstein):** The recent brisk rebound in equity markets won’t last as macroeconomic data continue to deteriorate and earnings forecasts are being slashed. earnings downgrade cycle is just starting along with outflows from stock funds. While investors have stopped buying equities in the second quarter, funds haven’t yet seen a reversal of the “huge” inflows of $200 billion seen in the first quarter, they said. threat to equities from weaker earnings to come. The strategists’ top-down model showed corporate earnings are likely to fall 15% to 20% year-over-year as margins come under pressure,

**Mark Mobius** (**Founder, Mobius Capital Partners): Mark Mobius,** is not piqued by the metaverse but thinks the companies that are creating it could be an interesting opportunity. He also had a lot to say on other topics such as cryptocurrency and recession.

The veteran investor said he would be keeping an eye on Ukraine, what happens in the general U.S. markets and interest rates, and most importantly, the growth prospects of companies in emerging markets that have not been hit by the downturn.

Mobius said cryptocurrencies lead the market because there are millions of people who have invested in various kinds. “I always tell people I don't like to talk about cryptocurrencies in public. It is a matter of faith.”

Dubbed the "Indiana Jones of emerging markets investing", Mobius said consumer confidence is not very good but consumer spending is high in the United States.

“In this kind of environment, as soon as unemployment rises, which hasn’t yet, then you will have a recession."

EM countries heavily dependent on exports will have problems except for companies that are in the tech area, he explained.

# PACE 360'S FUTURE OUTLOOK

Equity markets were largely sideways last week with Nasdaq outperforming most indices in the Developed world. We believe equities are still sideways in the near term while longer term they are in a protracted bear market. We remain very bullish on longer term US Treasuries and precious metals. We believe US dollar has started a long-term bear market against DM currencies. We remain long term bearish on crypto assets.


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**CONTACT US**

+91-11-4742 1001

info@pace360.in

A-1/291, Safdarjung Enclave, New Delhi – 110029


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