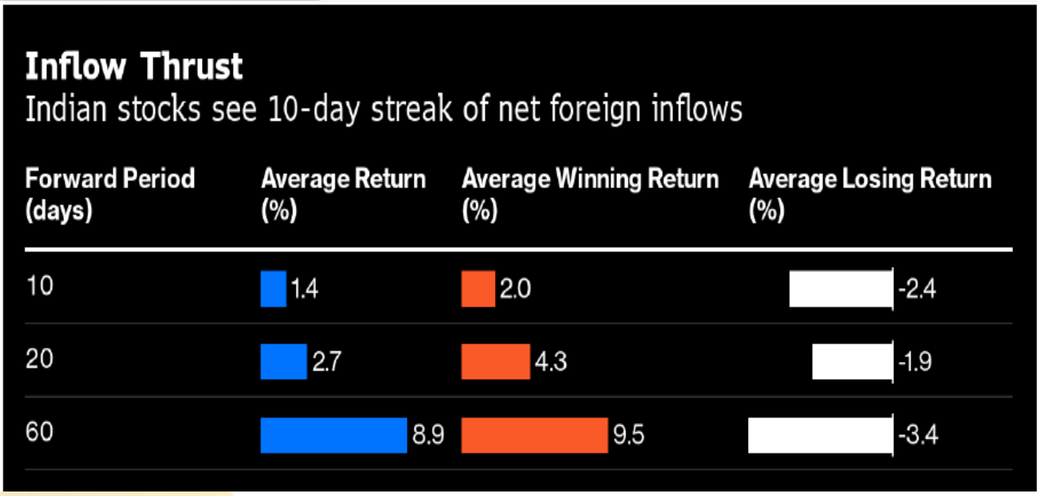
Weekly Report and Outlook on Global Markets

19th August 2022

Market Developments	2
Major Moves This Week	3
Global Fund Managers' Statements	4
Global ETF Fund Flows	5
PACE 360's Future Outlook	6

<u>Indian stocks see 10-day streak of net foreign inflows</u>



Inflow Thrust
Indian stocks see 10-day streak of net foreign inflows

Forward Period (days)	Average Return (%)	Average Winning Return (%)	Average Losing Return (%)
10	1.4	2.0	-2.4
20	2.7	4.3	-1.9
60	8.9	9.5	-3.4

Figure 1: The chart shows nifty 50 average return after 10 days of consecutive net foreign inflows.

India's equity markets reached a 10-day streak of net foreign-fund inflows on Aug. 11, which has helped the NSE Nifty 50 Index return to positive territory for the year. The burst may be a signal for investors to keep buying stocks. There have been 43 other instances of such double-digit stretches over the past five years, and in 95% of those cases the benchmark was up after an additional 60 days -- with an average gain of 9%.

<u>US Outpaces EM</u>

Figure 2: The above chart shows ratio of MSCI Emerging Markets to S&P 500 tests 21-year low.

The MSCI Emerging Markets Index's underperformance against the S&P 500 has pushed the ratio between the stock benchmarks to a two-decade low – matching a "double bottom" formed between 1999 and 2001. The reversion to the level last seen around the start of this century reflects a variety of factors, including US equity gains- particularly since late in the global financial crisis - and recent industry crackdowns and lockdowns in China, which currently accounts for about a third of the weighting in the emerging markets gauge.

MAJOR MOVES THIS WEEK

Currencies

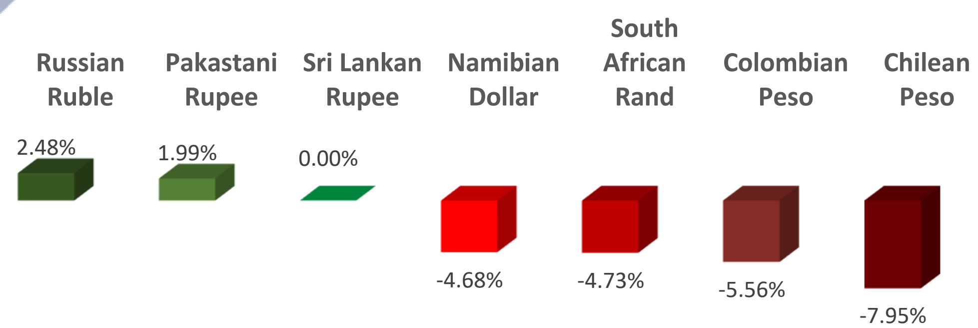


Figure 3: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

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

Equity Indices

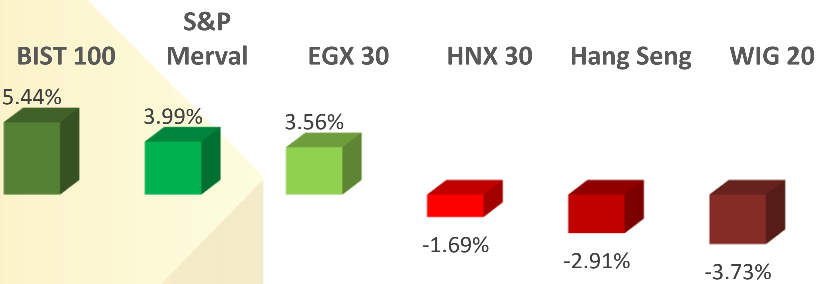


Figure 4: The chart represents the Equity Index returns over this week.

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 declined during the week.

Commodity Futures

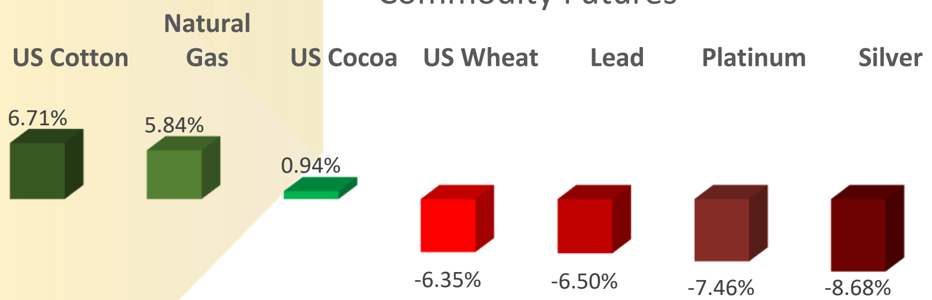


Figure 5: The chart represents the Commodity returns over the week.

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

GLOBAL FUND MANAGERS' STATEMENTS

Jeremy Grantham (legendary investor): Grantham predicts that the market tumble is far from over.

"In terms of the entire bear market, it would be unusual for it to bottom out anywhere near this high," he says. "I would expect that by the low, the S&P would have declined by 50% from the peak in real terms."

Michael Burry (The "Big Short" investor): Michael Burry rang the alarm on ballooning consumer debt, and warned the current rebound in stocks is unlikely to last, in a pair of tweets this week.

"Net consumer credit balances are rising at record rates as consumers choose violence rather than cut back on spending in the face of inflation," Burry tweeted.

"Remember the savings glut problem?" he continued. "No more. Covid helicopter cash taught people to spend again, and it's addictive. Winter coming."The investor of "The Big Short" fame attached a chart to his tweet, showing that US consumer credit is rising at $40 billion per month, well above its historical average of $28 billion.

Burry noted in May that American consumers - faced with surging food, fuel, and housing costs - were putting away less of their incomes, racking up credit-card debt, and poised to virtually exhaust their savings by the end of this year.He predicted consumer spending would drop as a result, and retailers would cut prices to get rid of their bloated inventories, curbing inflation and heaping pressure on corporate earnings and economic growth by Christmas.

Mark Mobius (Emerging-markets investor): legendary fund manager warned there's further pain ahead for investors despite the S&P 500 rallying by over 8% last month.

"We probably have another leg down as the Fed continues to raise rates," Mobius told MarketWatch last week. "I expect rates to go much higher and that means a number of companies will be in trouble."

Mobius has previously predicted that rates will have to rise as high as 7% to bring inflation down to the Fed's target 2% range. He warned the Fed will likely remain hawkish, thereby creating another headwind for struggling growth stocks.

"I expect rates to go much higher," Mobius said. "That means…the glamorous tech stocks with no earnings and dependent on more and more cash inputs will be in trouble."

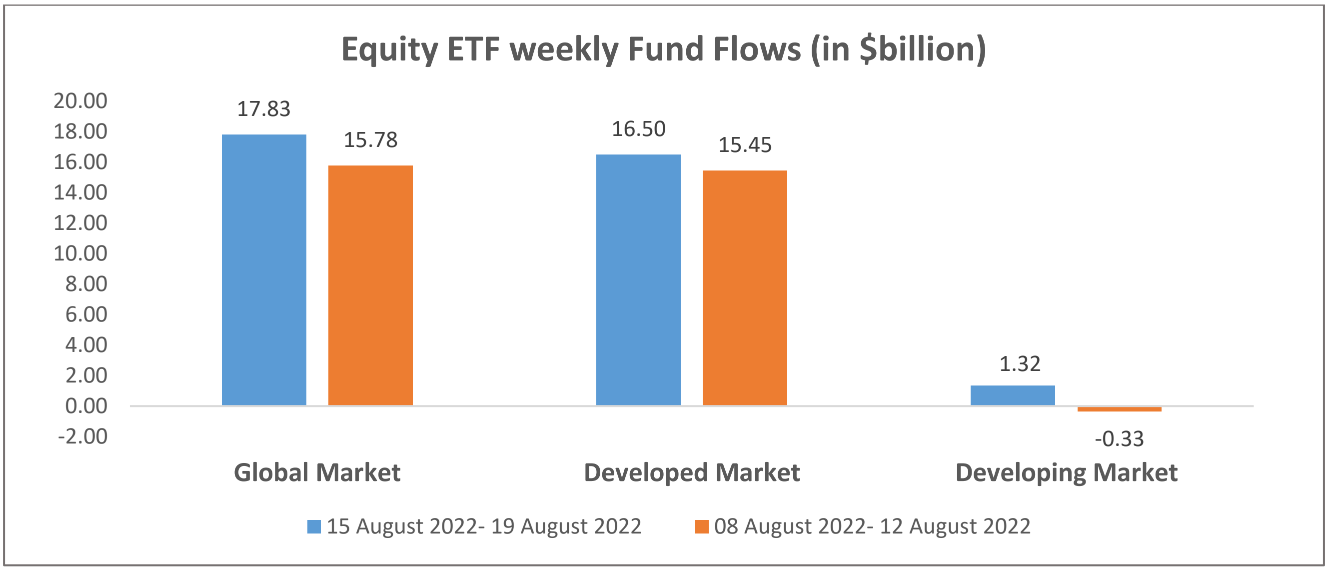
"Of course, we must realize that we are already in a bear market but the endgame requires complete surrender on the part of investors," he said. "Currently, there is a lot of hope."

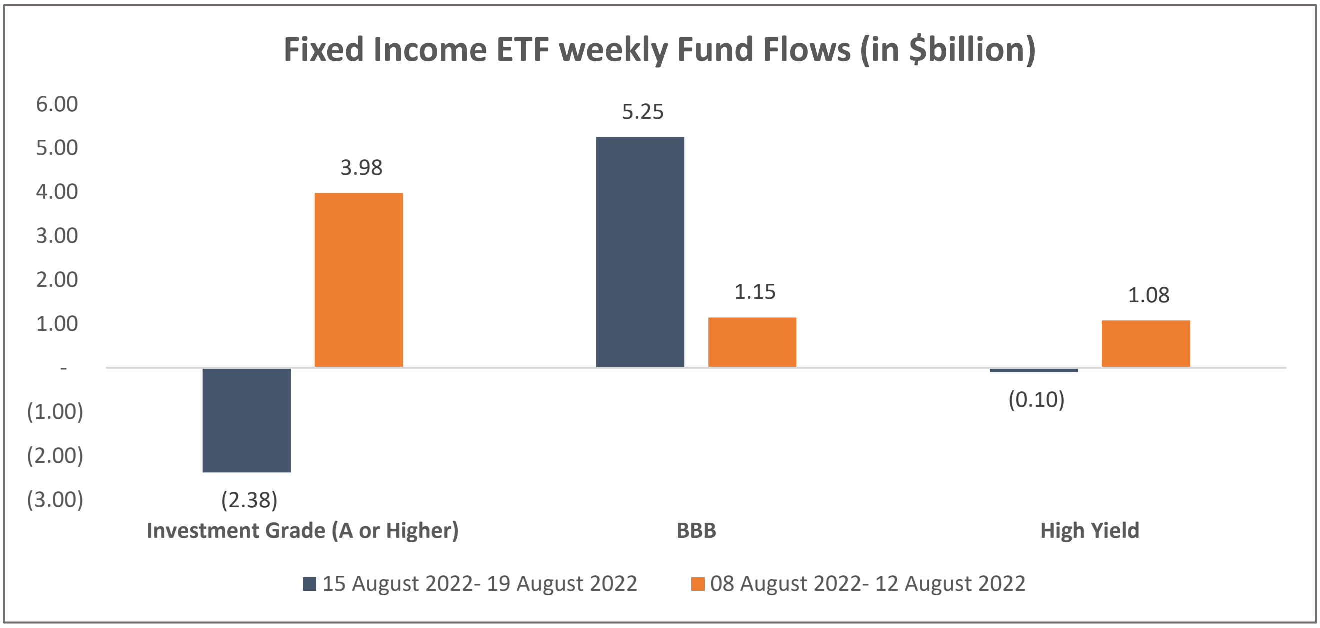
Francois Savary (Chief investment officer at Switzerland's Prime Partner,): Investors should eschew chasing recent rallies in stocks and bonds given the current economic uncertainty, according to the chief investment officer of Swiss asset manager Prime Partners.

Francois Savary said it was hugely difficult to have clear economic visibility due to the particulars of the current investment cycle, such as the Covid-19 recovery and the Ukraine war.

"One of the key factors that supported the rally, which was a strong bond market during the month of July, has disappeared to a certain extent.

GLOBAL ETF FUND FLOWS





S

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

The relief rally in global equities seems to have peaked out. We see equities continuing their down move over the next few weeks. EM assets look vulnerable as they get pressure from falling US equities and a rising US dollar at the same time. Long-term US Treasury yields may be in the process of making their interim tops and are a great long term buy opportunity. Precious metals may experience further short-term softness, but one should be buying on dips from here. We remain extremely bearish on crypto assets.

CONTACT US

+91-11-4742 1001

info@pace360.in

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

FOLLOW US ON SOCIAL MEDIA

Facebook.com/PaceThreeSixty

Twitter.com/PaceThreeSixty

Linkedin.com/company/50145027