Weekly Report and Outlook on Global Markets

29th July 2022

The Thai baht is set for biggest monthly loss since September

Figure 1: The chart shows the monthly performance of Dollar versus Thai baht

The Thai baht is set for its biggest monthly decline in almost a year, as the central bank's dovish stance weighs on the currency. The baht is poised for a 3.5% drop in the month of July to 36.65 per dollar, its biggest loss since September. The currency may weaken to as low as 39 against the dollar in early 2023 due to the nation's negative yield differential with the US, a broadly stronger greenback, and a sluggish rebound in tourism.

European earnings estimates are still at odds with share prices

Figure 2: The above chart shows divergence between Stoxx Europe 600 Index price and its forward 12-month EPS

European stocks have entered the earnings season with a historic dislocation between prices and earnings, with equities having sold off while estimates remained elevated. But now the downgrades to analyst projections are finally under way and will deepen this year's sharp slump in equities.

MAJOR MOVES THIS WEEK

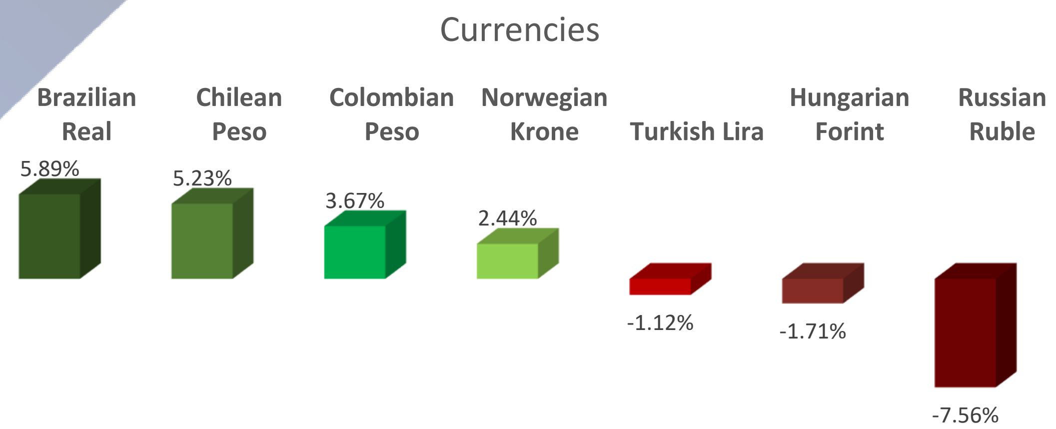


Figure 3: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

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.

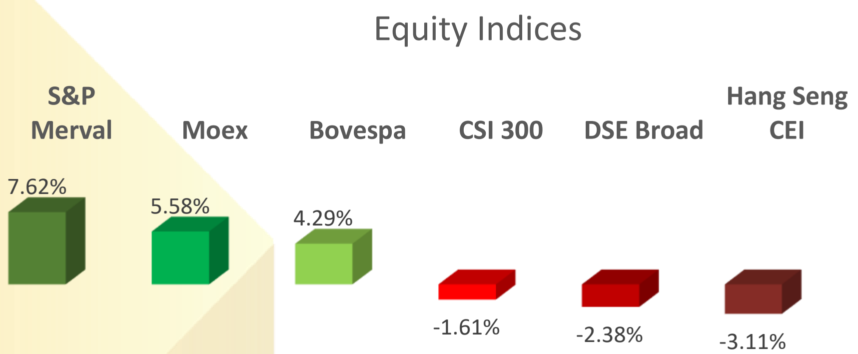


Figure 4: The chart represents the Equity Index returns over this week.

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 equities performed strongly. Nasdaq 100 and S&P 500 have shown strength during the week.

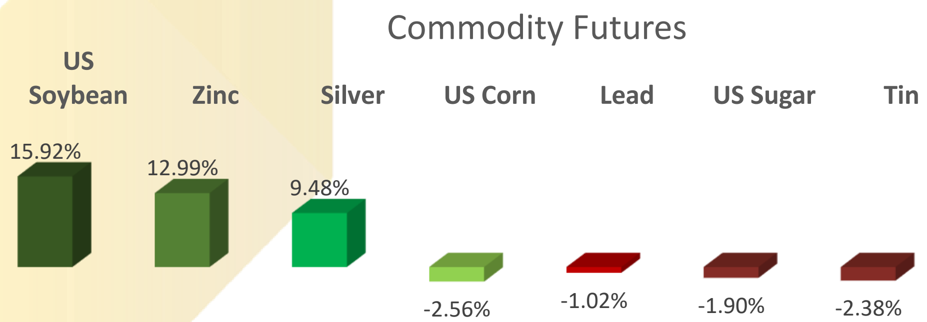


Figure 5: The chart represents the Commodity returns over the week.

Commodities have shown strength during the week. We have seen appreciation in industrial metals. Crude appreciated while Natural gas depreciated during the week. Gold and Silver appreciated during the week. We have seen strength in agricultural commodities.

GLOBAL FUND MANAGERS' STATEMENTS

Ray Dalio (Co-chief investment officer, Bridgewater Associates): You can't keep spending and bring down inflation. So here's what I think. I think that we're not going to be able to bring an interest rate to a high enough level to give a good, real return to holders of credit without causing a contraction in economic activity.

You had an 8% inflation rate. Look at what people get. And we're talking now about a 3% interest rate. And people think that that's good, right? So you're going to lose money and lose buying power. I think the inflation will come down a bit, but it's going to be very high and money is going to get a lot tighter. So you're going to have a stagflation.

Mohamed El-Erian (Renowned economist): It could be a sign that the central bank has been too passive in the fight to squash the sky-high inflation, meaning that a recession could already be here, or is looming in the imminent future."This is an economy that is weakening at a much faster rate than people expected,".

It's the second straight quarter of GDP decline, following a 1.6% stumble in the first quarter this year.

That also means the economy meets the technical definition of a recession, sparking some debate on whether the US is already in a downturn despite a strong labor market. But "whether we are in a recession or not, it's not as interesting as the fact that [the economy is] weakening really fast," El-Erian said about the data.

He added that if the economy weakens faster than the Fed can bring down inflation, it suggests that a recession could be imminent if it isn't already here, making the odds for a soft landing even narrower for the central bank.

"Yes, inflation is going to come down on a headline level, but it's not going to come down fast enough given that the economy is weakening, and that is going to put the Fed in the same dilemma that it's been in for the past few months," El-Erian warned.

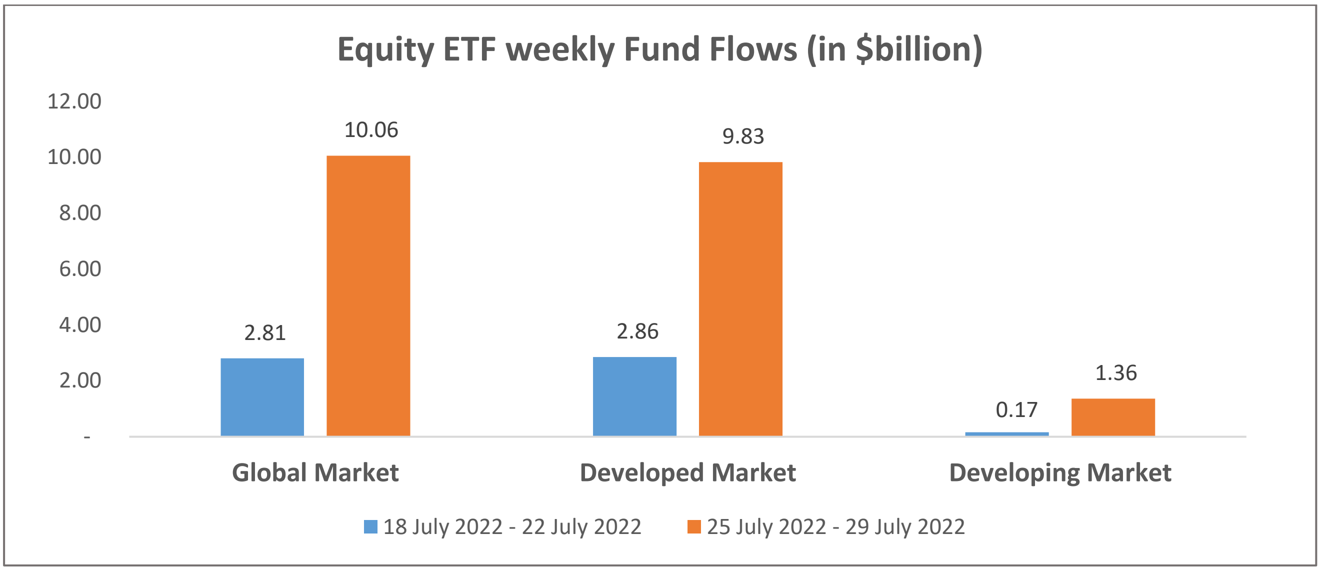
Taimur Baig (Managing director at DBS Bank in Singapore):" Exchange rate weakness in the face of a strong U.S. dollar is a bigger concern for Asia than inflation. "We're not particularly worried about inflation driving policy, but exchange rate weakness, dollar liquidity drying up, those things [are] a bigger issue, [and issues such as] the balance of payments angle,.

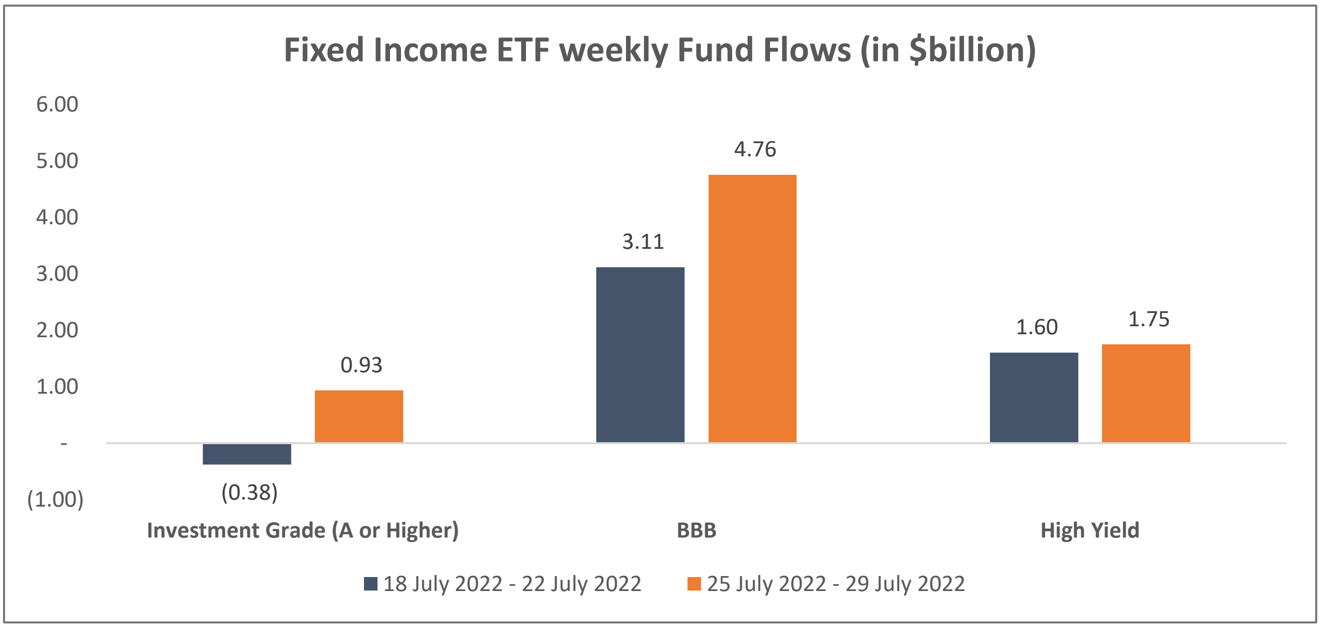
"If indeed input prices are going up for next year, even a country like India — which produces a lot of food for itself and exports to the rest of the world — would start becoming a bit insecure about food supply for 2023," he said.

Baig, who is also chief economist at DBS, said a global energy crisis feeding into inflation could lead to a bleak winter ahead. "I find it very hard to see how the gas situation for Europe is resolved anytime soon … China has yet to get out of … its zero-Covid policy. [The energy crisis] is not only an issue with respect to keeping homes warm, it is also a very big factor in determining the food inflation outlook of next year.

Mike Novogratz (The billionaire investor): Who once called himself the "Forrest Gump of Bitcoin," said the recent turbulence in the cryptocurrency industry is a "full-fledged credit crisis" and acknowledged that he was "darn wrong" about the magnitude of the leverage in the system. "What I don't think people expected was the magnitude of losses that would show up in professional institutions' balance sheets and that caused the daisy chains of events," Novogratz said at the Bloomberg Crypto Summit Tuesday.

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

Global equities have had yet another blockbuster week. We believe equities are now priced close to perfection and have very little upside left in them. We believe US and much of the rest of the world is headed for a very deep recession over the next few years and this will cause a multi-year bear market to unfold between now and 2025. For the next couple of months equities may remain in a 5-7% range with the current levels being close to the top end of the range. We do not see a deep cut happening in equities in the very near term. We believe shorter term US Treasuries are now over-stretched and may correct from the current levels. Longer term Treasuries still look very bullish from a one-year perspective but may become sideways for now. We remain bearish on US dollar for the long term and continue to be bullish on gold and silver for the medium to long term.

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