



Weekly Report and Outlook on Global Markets

03rd September 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

MARKET DEVELOPMENTS

German Power Price 1y ahead



Figure 1: The above is the chart of German Power Price 1y ahead

German 1y ahead Power Price has almost halved within 2 days from €1,050 per MWh to €545 today. This raises the question of who is operating in the electricity market. Is it pure speculation? Are these meaningful prices that reflect real scarcities?

MSCI India has outpaced emerging-markets gauge for 10 straight quarters

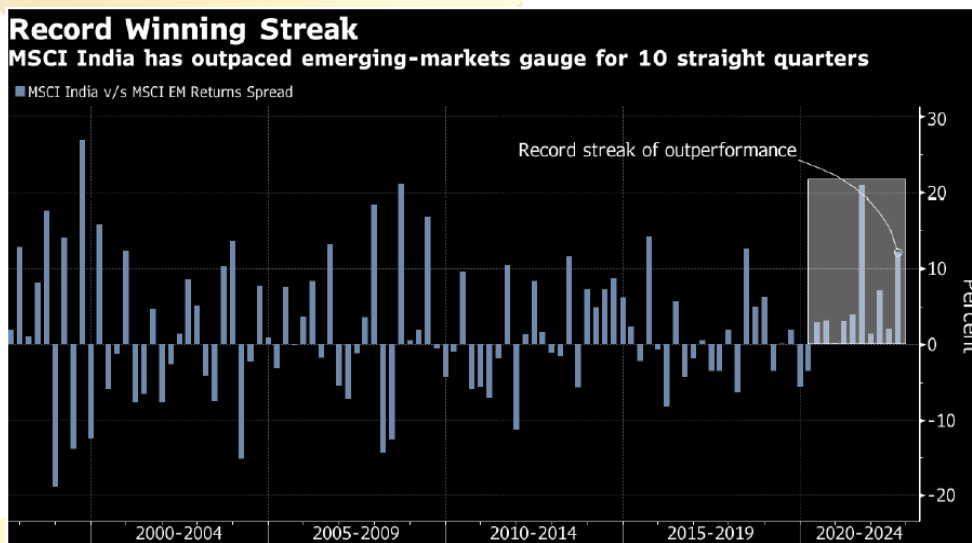


Figure 2: The above chart shows the MSCI India quarterly performance relative to MSCI EM

Indian stocks are poised to extend their outperformance over peers in the MSCI Emerging Markets Index to a record 10 straight quarters, with the MSCI India beating the regional benchmark by 11 percentage points since July 1. The unprecedented winning streak reflects, in part, struggles in China and Taiwan components, which together comprise about 45% of the broad measure. Recent gains in the India portfolio, which accounts for about 14% of the EM gauge, reflect robust retail trading, the return of foreign investors and growing expectations that domestic inflation can be managed without sacrificing economic growth.

MAJOR MOVES THIS WEEK

Currencies

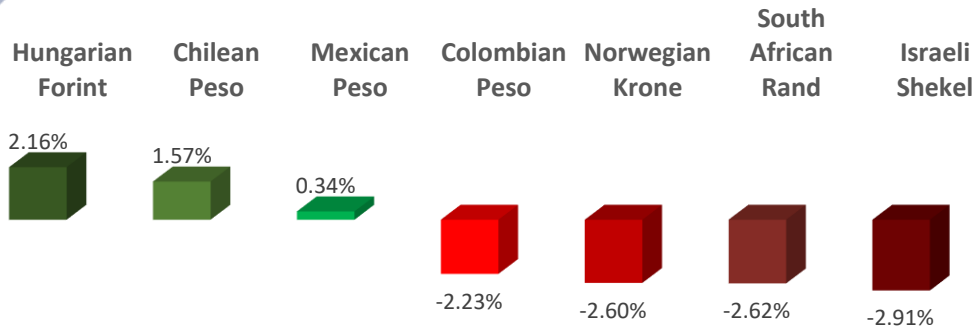


Figure 3: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

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

Equity Indices

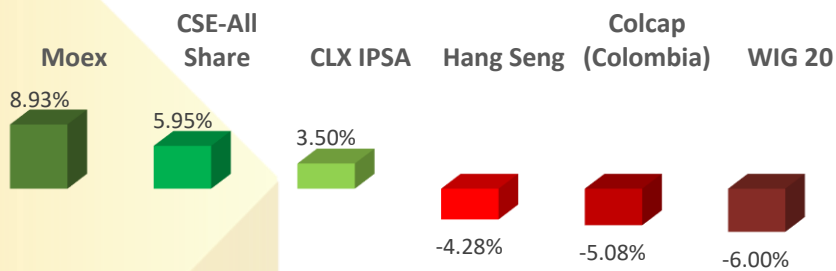


Figure 4: The chart represents the Equity Index returns over this week.

This week we have seen weakness in the global equities markets. European equities have shown weak performance, Euro Stoxx 600 was a looser during the week. Emerging market equities performed weakly. Nasdaq 100 and S&P 500 have declined during the week.

Commodity Futures

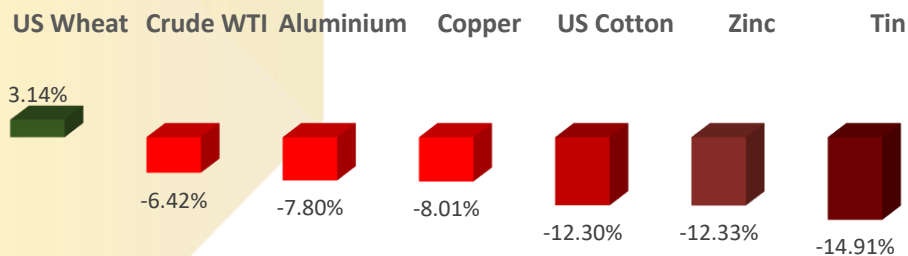


Figure 5: The chart represents the Commodity returns over the week.

Commodities have shown weakness during the week. We have seen depreciation in industrial metals. Crude and Natural gas depreciated during the week. Gold and Silver depreciated during the week. We have seen weakness in agricultural commodities, while wheat gained this week.

GLOBAL FUND MANAGERS' STATEMENTS

Jeremy Grantham (Boston-based investment firm GMO): A “superbubble” appears dangerously near its “final act” after the recent rally in U.S. stocks lured some investors back into the market just ahead of potential “tragedy,”. “superbubbles are events unlike any others” and share some common features. “One of those features is the bear-market rally after the initial derating stage of the decline but before the economy has clearly begun to deteriorate, as it always has when superbubbles burst,” said Grantham.

“This, in all three previous cases, recovered over half the market’s initial losses, luring unwary investors back just in time for the market to turn down again, only more viciously, and the economy to weaken. This summer’s rally has so far perfectly fit the pattern.”

Robert Kiyosaki (Rich Dad Poor Dad author): Stocks have plunged, Bitcoin is in the doldrums and even the recently hot real estate market seems to be cooling down due to the Fed’s aggressive rate hikes.

While it might be tempting to hide out in cash. Kiyosaki explains how he made a fortune by going against the herd during the Great Recession.

“2008 was great time to get rich. Everything went on sale. Borrowed millions of dollars buying real estate bargains,” he writes.

The author has also been calling for a major crash. “2013 I published Rich Dads Prophecy predicting BIGGER crash coming. THAT CRASH IS HERE. Millions will be wiped out.” The famous author is a long-time advocate of investing in precious metals.

Gold and silver have helped investors preserve their wealth for centuries. They can’t be printed out of thin air like fiat money and their value is largely unaffected by economic events around the world.

But this time, Kiyosaki is favoring one over the other, and it has to do with the gold-to-silver ratio — which simply refers to the number of silver ounces it takes to buy a single ounce of gold.

Michael Burry (investor of "The Big Short" fame.): "Nigh perched with a multiple problem," Burry tweeted, attaching a chart tracking the price-to-sales ratio of the S&P 500 equal-weight index. The ratio was below 1.0 for most of the 1990s and 2000s, but it has nearly doubled over the past decade to north of 1.9 today, the chart showed.

Presumably, Burry wanted to show the index is trading at nearly twice the revenue of its constituents — indicating the valuation multiples on America’s largest public companies have stretched to unsustainable heights. The investor likely used the price-to-sales ratio because it’s more speculative than price-to-earnings, or price-to-book value. It compares a company’s market capitalization to its revenues, instead of its profits or net assets.

Steve Hanke (Professor of applied economics at Johns Hopkins Universit): The U.S. economy is going to fall into a recession next year. “We will have a recession because we’ve had five months of zero M2 growth, money supply growth, and the Fed isn’t even looking at it,”. Market watchers use the broad M2 measure as an indicator of total money supply and future inflation. M2 includes cash, checking and savings deposits and money market securities.

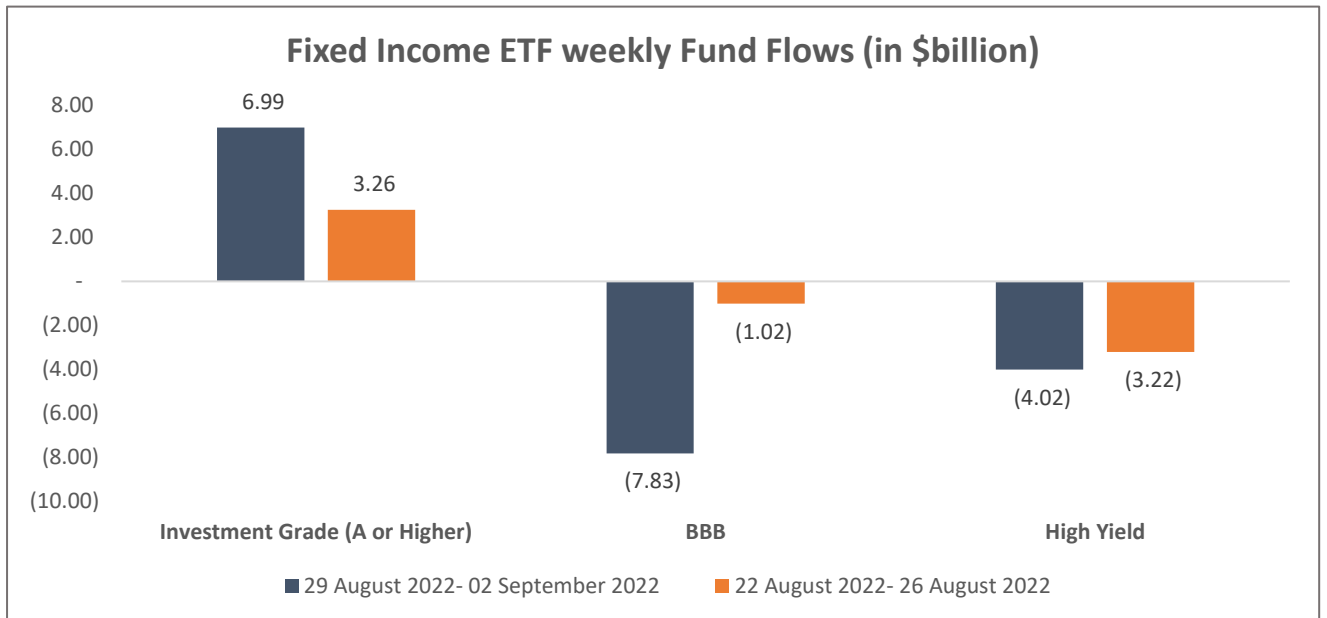
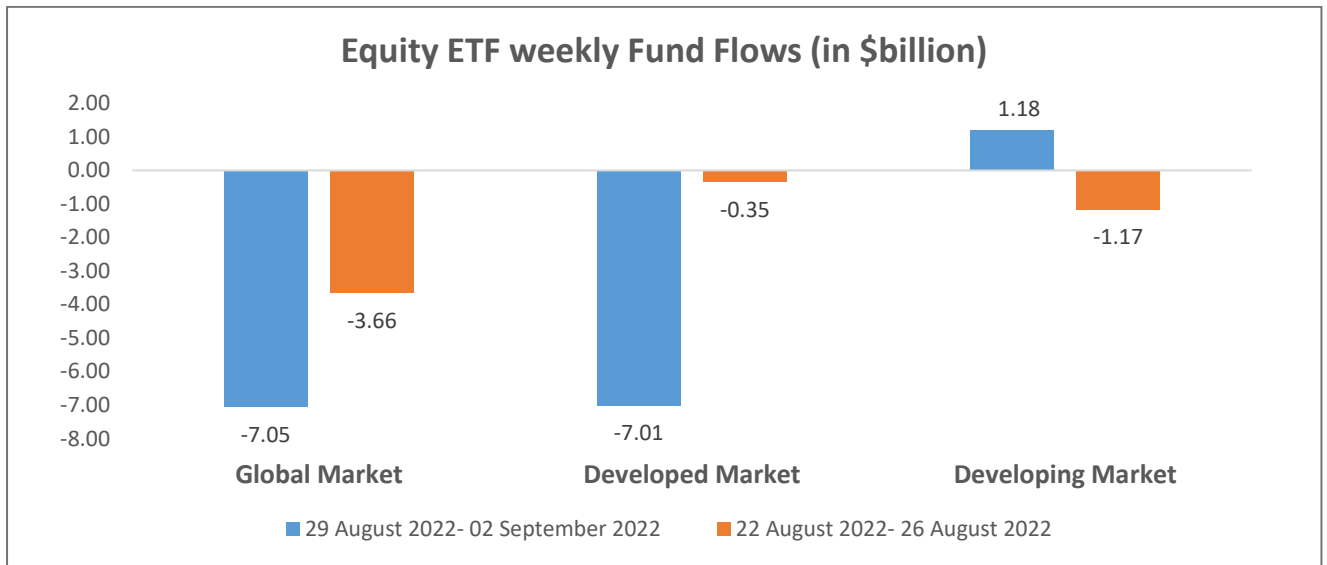
In recent months, money supply has stagnated and that’s likely to lead to an economic slowdown, Hanke warned.

“We’re going to have one whopper of a recession in 2023,” he said.

Meanwhile, inflation is going to remain high because of “unprecedented growth” in money supply in the United States, Hanke said.

Historically, there has never been “sustained inflation” that isn’t the result of excess growth in money supply, and pointed out that money supply in the U.S. saw “unprecedented growth” when Covid began two years ago, he said.

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 had yet another down week this time. We believe equities are now going to become rangebound and the downsides are rather limited from here in the near term. We also believe that dollar index is close to topping out for the long term. We remain extremely bullish on US 30-year Treasuries and bullion from the current levels.

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