



# Weekly Report and Outlook on Global Markets

07<sup>th</sup> October 2022

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

# MARKET DEVELOPMENTS

## BOE's Nightmare Scenario Came to Life as UK Markets Crashed



Figure 1: The chart shows BOE auction bond purchases

Last week, the Bank of England was confronted with a nightmare scenario it had long feared. A corner of UK financial markets faced a liquidity crunch at a time of soaring inflation and all the BOE could do in response was buy government debt.

The £65 billion (\$72 billion) pledge staunched the crisis but it threw the central bank into a contradictory policy position, one it may be confronted with again over time. The combination, through which the central bank appears to be both loosening and tightening simultaneously, has blurred the lines between monetary policy and financial stability.

## Chipmakers See 'Breathtaking' Drop in Demand as Recession Looms



Figure 2: The above chart shows price performance of major semiconductor manufacturers

After years of record capital spending, chipmakers are warning on a weekly basis that demand is sputtering. In the latest sign of trouble, Samsung Electronics Co. and Advanced Micro Devices Inc. reported disappointing results within hours of each other that widely missed projections.

Samsung the world's largest memory chipmaker reported a 32% dive in operating income, while PC-processor maker AMD said it will miss its earlier forecast by about \$1 billion.

# MAJOR MOVES THIS WEEK

## Currencies

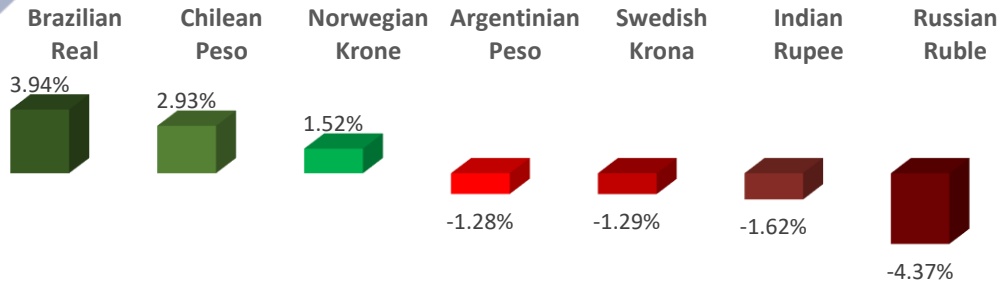


Figure 3: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

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 shown mixed performance against the dollar.

## Equity Indices

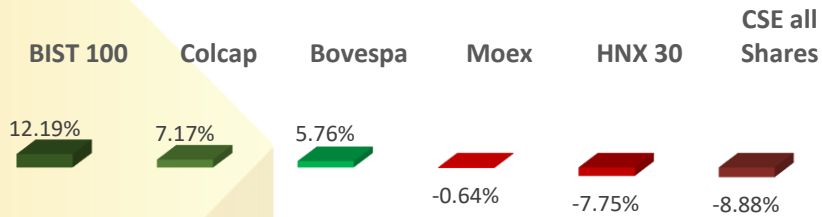


Figure 4: The chart represents the Equity Index returns over this week.

This week we have seen strength in the global equities markets. European equities have remained sideways for the week, Euro Stoxx 600 was a gainer during the week. Emerging market equities rebounded. Nasdaq 100 and S&P 500 have remained positive for the entire week even after the sharp selloff in the last trading session for the week

## Commodity Futures

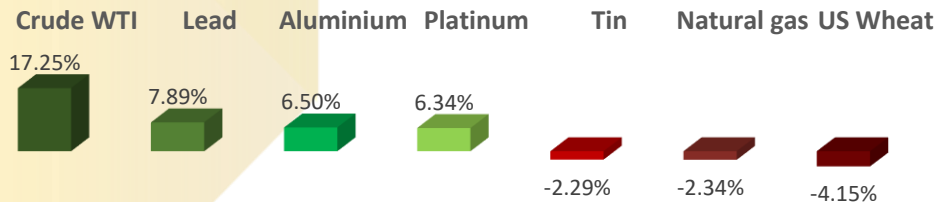


Figure 5: The chart represents the Commodity returns over the week.

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

# GLOBAL FUND MANAGERS' STATEMENTS

**Steven Blitz (Chief U.S. economist at TS Lombard):** While this year's sharp selloff in stocks might feel brutal, particularly after the carnage of September, the S&P 500 remains about 17.1% above year-end 2019 levels, according to Dow Jones Market Data

That isn't low enough, given the likely scope of Federal Reserve actions needed to bring surging inflation back to the central bank's 2% annual target, according to Steven Blitz

"Yes, markets are being routed, but, to date, they are resetting from too rich price levels created by Fed policies that went on way too long," Blitz said in recent client note.

The main problem, for Blitz, is that this year's stock-market decline has been "hardly a shakeout" when looking at the roughly 50% drop in equities in the 1974-75 recession and the one in 2008-09. "More to the point, the market has gotten here by pricing in the Fed's 4.5% solution (4.5% inflation, 4.5% unemployment, 4.5% funds rate) with all believing this will be enough to put maximum downward pressure on inflation," Blitz said. "It won't."

**Mary Callahan Erdoes (CEO of JPMorgan's Asset & Wealth Management division):** Investors are facing a storm of headwinds right now – a genuine bear market, stubbornly high inflation, rising interest rates, and increased fears of a recession in the near-term. However, Mary Callahan Erdoes, advises investors to stay invested.

"It's actually the easiest time in the world to find alpha — there is alpha everywhere... It's everywhere, because we are in such a state of change... While all the world is focused on all the black swan events, there will be white swans that emerge... Staying invested in these markets is one of the most important things and one of the most difficult things," Erdoes opined.

In the meantime, her viewpoint is influencing JPMorgan's stock pros. The firm's analyst Brian Cheng is following this stance to its logical end, picking out stock choices that are primed for gains even in today's unfavorable market climate.

**Jeremy Siegel (Finance at the Wharton School):** The U.S. Federal Reserve has been raising rates too quickly, and recession risks will be "extremely" high if it continues to do so, said Jeremy Siegel

"They should have started tightening much, much much earlier, But now I fear that they're slamming on the brakes way too hard."

Siegel said he was one of the first to warn of the Fed's "inflationary policies" in 2020 and 2021, but "the pendulum has swung too far in the other direction." "If they stay as tight as they say they will, continuing to hike rates through even the early part of next year, the risks of recession are extremely high," he said.

Siegel said he was one of the first to warn of the Fed's "inflationary policies" in 2020 and 2021, but "the pendulum has swung too far in the other direction."

"If they stay as tight as they say they will, continuing to hike rates through even the early part of next year, the risks of recession are extremely high," he said.

**Marko Kolanovic (JPMorgan's chief global markets strategist):** "We are increasingly worried about central banks making a policy error, and of new geopolitical tail risks," Marko Kolanovic, a top JPMorgan strategist, wrote in a new note to clients. "Given the recent escalation in hawkish rhetoric, the likelihood of central banks committing a policy mistake with negative global consequences has increased, and this started showing in various cracks in FX and rates markets. Even if a mistake is avoided, a delay will likely be introduced for the global market and economic recovery."

The Federal Reserve remains the straw that stirs the drink in global markets as it continues a mission to stomp out inflation by aggressively hiking interest rates, which has set the pace for fellow central banks. That mission was reinforced in the past week by the hawkish commentary from various Fed officials including Fed Chair Jerome Powell and Vice Chair Lael Brainard.

That hawkish tone from the Fed has rippled across an array of asset markets, from the surging U.S. dollar to rising mortgage rates that are nearing 7%.

# PACE 360'S FUTURE OUTLOOK

Global equities have already bottomed out or are very close to their worst levels in this particular bear run. We expect global equities to rally by 10-15% over the next three months. We believe dollar index has made its rally top and will soften against DM currencies over the next one year. We believe US long term Treasury yields have more or less topped out and will be the best performing global asset class over the next one year.

## DISCLAIMER

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions –including those involving futures, options, another derivative product as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt PACE or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold PACE or any of its affiliates or employees responsible for any such misuse and further agrees to hold PACE or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

## 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