



# Weekly Report and Outlook on Global Markets

28<sup>th</sup> Oct 2022

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# MARKET DEVELOPMENTS

## Chinese A-shares trade at biggest premium over Hong Kong shares since 2009



Figure 1: This figure showing us premium of Chinese A-shares over Hong Kong shares

The gap between Hong Kong and mainland China stocks is widening, as a market meltdown after a leadership reshuffle at the Communist Party spurred a bigger loss in the benchmark Hang Seng Index than the CSI 300 Index this week. The Hang Seng Stock Connect China AH Premium Index, which tracks A-shares' premium over H-shares for dual-listed companies in the two markets, is trading near its highest since 2009. Investors prefer A-shares over offshore Chinese equities in the short term as the risk premium for the latter will remain elevated due to political concerns.

## European energy stocks trade at record 50% discount to US Peers

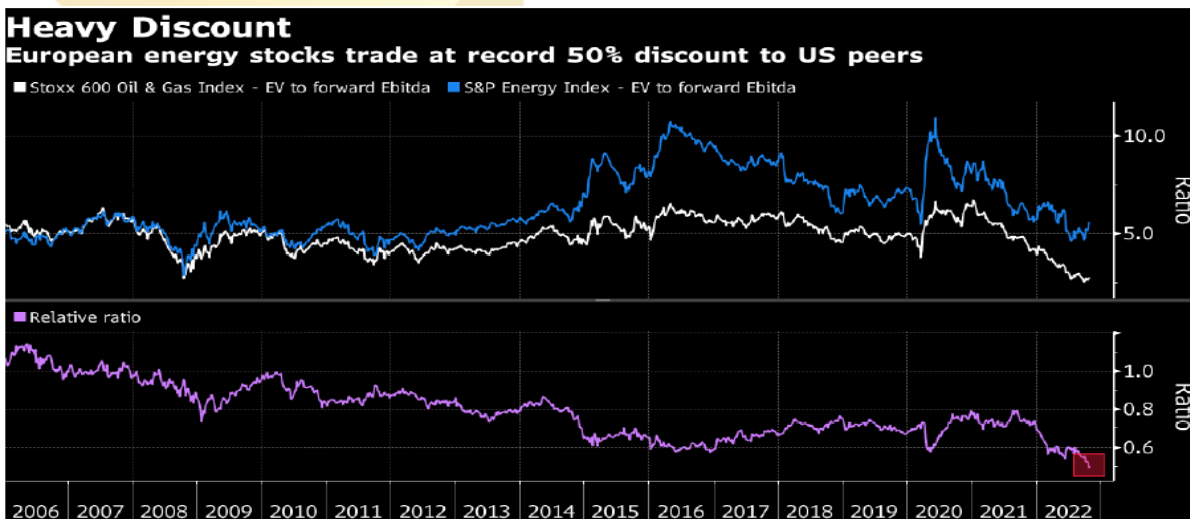


Figure 2: Graphical view of relative performance of European energy stocks with US peers

The energy sector is the only industry group in the green this year in Europe, up 23%, but that's nothing compared to the 60% gains of its US counterpart. With earnings soaring on both sides of the Atlantic on the back of high oil prices, European energy stocks now trade at a record 50% discount to US peers. That means the likes of Exxon Mobil Corp. are now twice more expensive than a European equivalent TotalEnergies SE -- a gap seen as "unjustified".

# MAJOR MOVES THIS WEEK

## Currencies

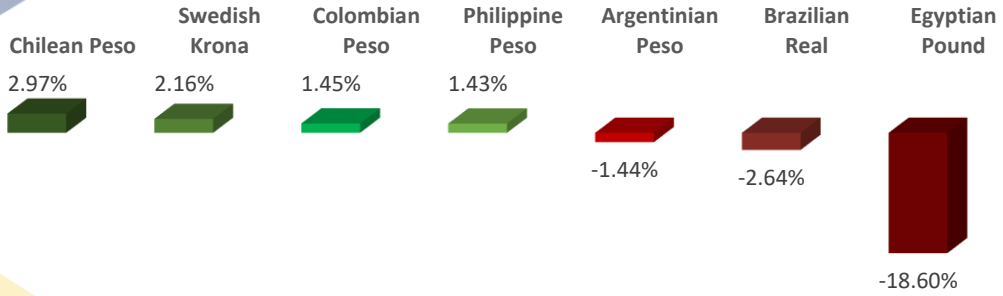


Figure 5: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

This week we have seen strength in developed market currencies, Emerging currencies gave mixed performance. Euro, British Pound and Yen all appreciated against the Dollar this week. Emerging market currencies have given mixed performance against the dollar.

## Equity Indices

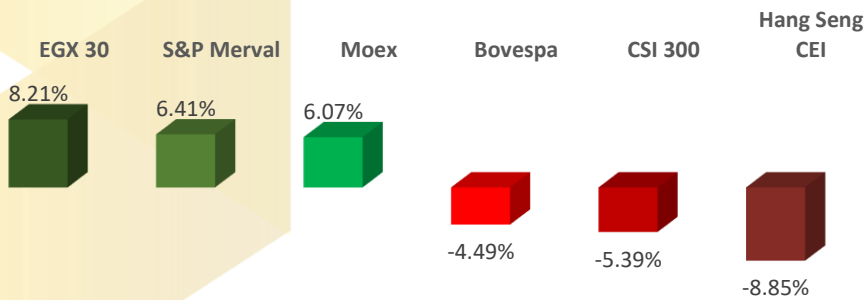


Figure 6: The chart represents the Equity Index returns over this week.

A volatile week was observed for equities especially in the second half. In US equities outperformed the broader market despite of fall in the us yields. In Asia, China Equities underperformed the peers with major corrections. In last trading session of this week, we have observed strong buying in US equities.

## Commodity Futures

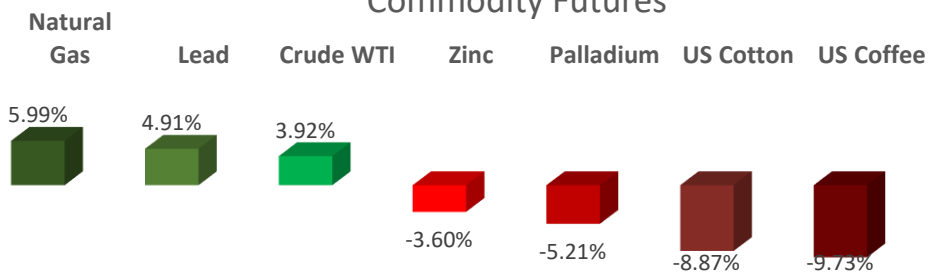


Figure 7: The chart represents the Commodity returns over the week.

This week we have observed weakness in global commodity, Gold has shown sideways performance current week supported by fall in US yields. Industrials metals performed this week despite of fall in China indices.

## GLOBAL FUND MANAGERS' STATEMENTS

**Thasunda Brown Duckett (CEO of TIAA):** On Tuesday, speaking at an in-person event, the chief executive explained the challenges that many Americans face as elevated pricing pressures, higher borrowing costs, doubts about the vitality of the U.S. economy and a tumble in the Dow Jones Industrial Average and S&P 500 index create a cocktail of troubles for those at or near retirement.

"You know, in fact, there's a \$4 trillion retirement-income gap. That means 40% of Americans run the risk of running out of money in retirement," she told Barron's associate editor Reshma Kapadia, during an interview in New York, as a part of the publications Level Up, a series of talks including prominent women discussing money, investing and leadership.

Duckett said that the country needs to have a real conversation about the problems prospective retirees are looking at, and noted that the difficulties may be comparatively more acute than those confronted by those in the late 1970s because defined benefit plans, or pensions, were more readily available than they are now.

**Mark Wilson (Chief Investment Officer – CIO, Morgan Stanley):** Morgan Stanley's Mike Wilson, believes the bear market in US equities may conclude sooner than investors think.

"We think ultimately the bear market will be over probably sometime in the first quarter," Wilson said in an interview on Bloomberg Television. "All of this is subject to revision. I want to make clear, if the market starts trading off again and the S&P 500 blows through 3,650 on the downside, we will be bearish again."

Wilson, who was ranked the best portfolio strategist in the latest Institutional Investor survey, said a 19% slump in the S&P 500 Index this year has left it testing support at its 200-week moving average of around 3,600, which could lead to a technical recovery. The S&P 500 has rallied nearly 6% since Oct. 12, when it closed at lowest since November 2020.

# PACE 360'S FUTURE OUTLOOK

~~Global equities struck a purple patch last fortnight with US equities leading from the front.. we believe equities may become rangebound over the next couple of weeks though they remain constructive for the medium term.. we remain extremely bullish on long term US Treasuries for the next couple of years. We also remain constructive on precious metals for the long term.~~

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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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