Weekly Report and Outlook on Global Markets

30 Sep 2022

MARKET DEVELOPMENTS

Apple's Tech Supply Chain Shows Difficulty of Dumping China

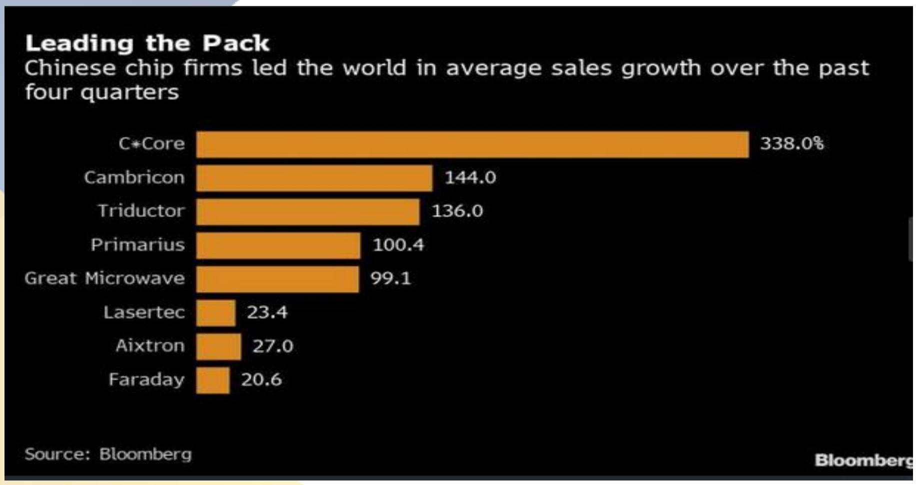

Figure 1:The above chart shows Chinese chip firms' sales growth over the past four quarters

American companies have had a growing list of reasons to downgrade their ties with China in recent years. Former President Donald Trump's tariffs. Beijing's stringent Covid lockdowns. The US-Sino standoff over Taiwan. Political pressure to "friend-shore" supply chains toward nations aligned with Washington.
That conclusion is evident from a Bloomberg Intelligence analysis of Apple Inc., which is trying to reduce its dependence on China. The Cupertino, California-based company already started producing some iPhone 14 models in India, in an earlier than usual move for new models.

London's European Stock Market Crown Under Threat From Paris

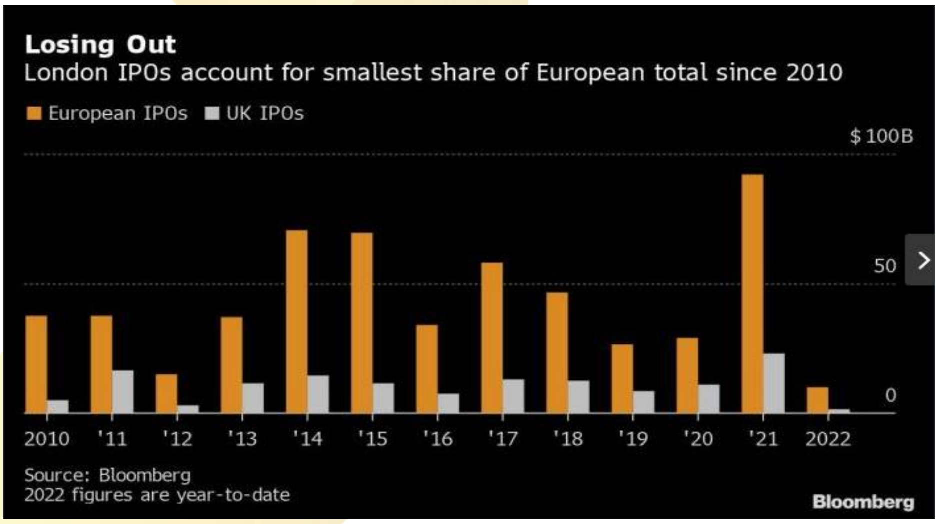

Figure 2: The above chart shows price performance of Gold & Dollar Index

Crisis of confidence in UK assets is running so deep that the country is close to losing its crown of Europe's biggest equity market. This year's decline in London stocks has reduced the combined market capitalization of companies with a primary UK listing to within touching distance of its nearest challenger, Paris. At the equivalent of $2.5 trillion, the gap between them is only $156 billion, close to the lowest on record, according to an index compiled by Bloomberg.

MAJOR MOVES THIS WEEK

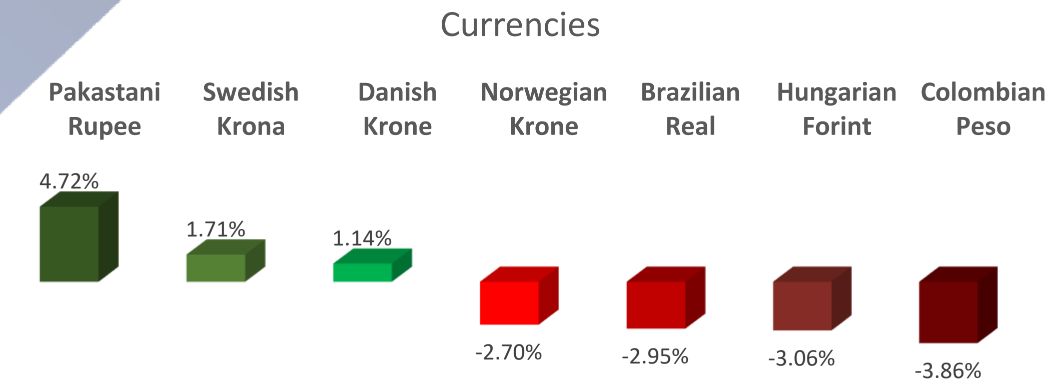

Figure 3: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

This week we have seen weakness in the global currencies. Euro and British Pound and Yen appreciated appreciated this week after making multiyear bottom last week.

Emerging market currencies depreciated against Greenback. We have also seen some recovery in Australian Dollar & New Zealand Dollar as well as in other developed currencies.

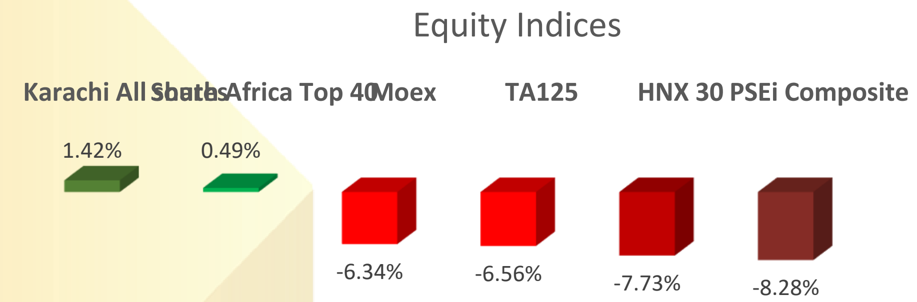

Figure 4: The chart represents the Equity Index returns over this week.

This week we have seen downward performance in all Global Equities. Dow made its yearly bottom this week, while Nasdaq & S&P both shown weakness & close lower this week. All European equities closed lower. All over this week was negative for equity markets.

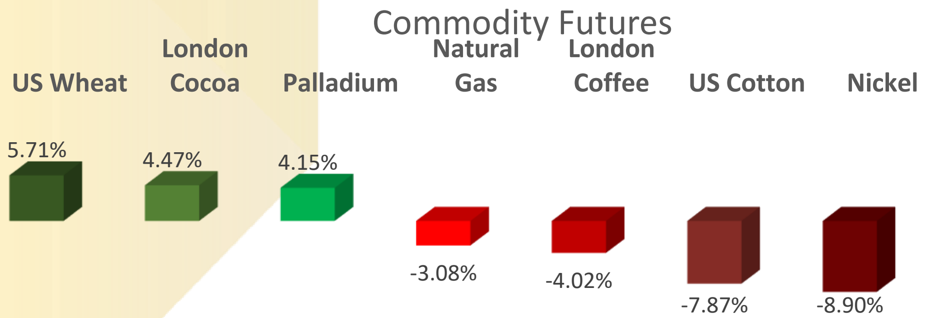

Figure 5: The chart represents the Commodity returns over the week.

Commodities went down this week due to weak performance across the markets. We have seen weakness in industrial metals this week except in Tin. Crude has shown marginal appreciation while Natural gas depreciated this week. All key agriculture commodity shown mixed performance this week.

GLOBAL FUND MANAGERS' STATEMENTS

Jeffrey Gundlach (Chief investment officer at Double line): He's been snapping up Treasuries. While US 10-year yields have climbed about 235 basis points in 2022, exceeding any annual increase on record in data going back to 1962, there was some relief on Tuesday with the benchmark yield falling 10 basis points to 3.82%.

"The U.S. Treasury Bond market is rallying," said Gundlach. Been a long time. I have been a buyer recently."It's a potentially bold call. The global bond rout accelerated this week as the UK's plan for large tax cuts raised fears of a wave of fiscal profligacy, giving investors another reason to steer clear of government debt. Meanwhile, the Federal Reserve is leading developed-nation central banks in delivering the steepest rate hiking cycle in a generation -- and pledging to keep rates higher as long as it takes to quash inflation.

Sam Stovall (Veteran CFRA Chief Investment Strategist): "I think this will be a bear market with a recession. "Bear markets with recessions have ended up being deeper and lasting longer than those without a recession, with the average decline being 35%. So I think we will probably end up seeing this bear market bottom around 3,200."

Stovall's prediction would mark another 14% decline in the S&P 500 from current levels. And if hit, that would represent an approximate 33% drop from the Jan. 3, 2022 record high — roughly in line with the long-term averages seen during a recession called out by Stovall.

Carl Icahn (Billionaire investor): We printed up too much money, and just thought the party would never end. And the party's over," Still, although many investors suffered painful losses in 2022 — the S&P 500 had its worst first half of the year since 1970 — Icahn is not one of them. At his company Icahn Enterprises, the net asset value went up about 30% in the first six months of this year. The worst is yet to come," Icahn says, while cautioning that "inflation is a terrible thing" and "you can't cure it."

That said, he doesn't suggest you should bail on stocks completely."I think a lot of things are cheap, and they're going to get cheaper," he says.

Mohamed El-Erian (President of Queens' College at the University of Cambridge): "What is clear is we have this relentless increase in yields, this relentless appreciation of the dollar. They are both bad news for corporates and for the economy,". Echoing Leve's comments, El-Erian explained that with "fires burning" all over the developing world—and now even in places like the U.K— the dollar is the currency of last resort for investors.

"The reason why this last leg up in the dollar is happening is because we are the safe haven and one consequence of that is our currency gets stronger," he said. El-Erian explained that a strong dollar can be a "mixed blessing." On one hand, the strength of the greenback helps to reduce U.S. inflation, but at the same time, when the dollar remains persistently strong, it can bankrupt developing nations as their dollar-denominated debt costs soar.

Gartman (Endowment Investment Committee at the University of Akron): The retired publisher of the long-running investor note, The Gartman Letter, has been bearish on equities since early January. "We've gotten too many people who are bearish," says Gartman, who now chairs the Endowment Investment Committee at the University of Akron.

He calls the number of put positions taken in stocks last week "historically unprecedented," and it's a signal to go "a little bit long," by his account.

"At least a bounce is required for the next week or two or three, after the oversold conditions we got Friday afternoon," Gartman says.

PACE 360'S FUTURE OUTLOOK

Global equities have had yet another negative week. We believe the US equities may have another 2-4% potential downside in them before they start a massive rebound. This last stretch of downside may unfold in the next few days and the rally post that may transpire over the ensuing three months. We believe that the global bonds market carnage has also run its course and the next one year may witness the biggest ever rally in 30 year US Treasuries. We believe that gold has bottomed out and is on the cusp of a multi-year rally. US dollar also has probably peaked out last week and should begin a multi-year decline against Euro, JPY and CHF.

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