Weekly Report and Outlook on Global Markets

9th December 2022

World's Money Managers See a Stock Market Rebound in 2023

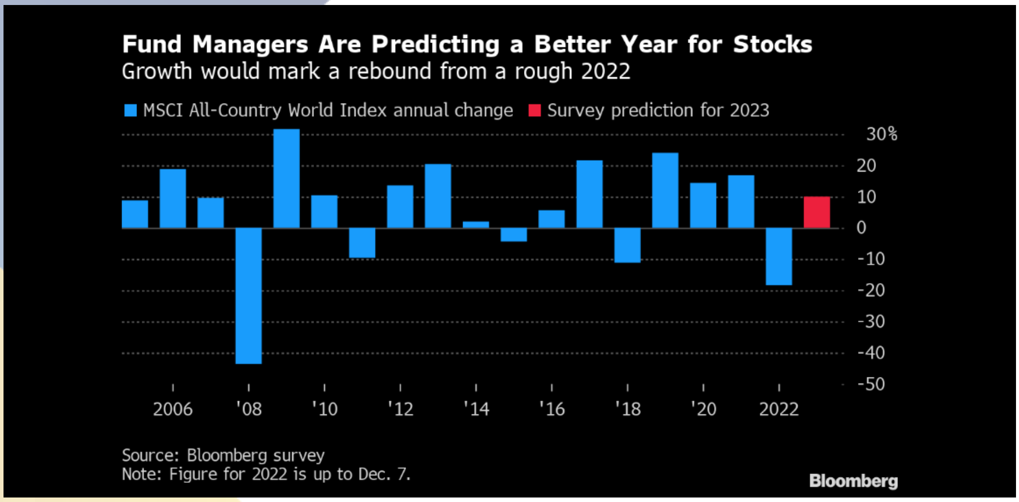

Figure 1: The chart shows percentage change in MSCI-All Country world index and predicted change next year

Some of the world's biggest investors are predicting that stocks will post low double-digit gains in 2023, which would bring some relief after huge losses this year, according to a Bloomberg News survey of 134 fund managers. Amid some optimism that inflation has peaked — and that the Federal Reserve will ease back a bit — 71% of respondents expect global equities to rise, versus 19% forecasting declines. For those betting on a bounce, the average prediction was for a 10% return.

China Optimism Gives Asia High-Grade Dollar Bonds an Edge

Figure 2: The above chart shows the High-grade dollar bond spreads for EM- Asia and corporate US bonds

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China's moves to relax Covid controls and reopen its economy are fuelling bets that Asian investment-grade dollar bonds can outperform their US peers in the coming months. Despite some mild widening since Tuesday, yield premiums on the Asian notes have tightened about 45 basis points in the past month, more than double the spread compression for corresponding US debt, Bloomberg indexes show. "Asia credit still has value in our view over US peers with the China policy pivot gathering momentum," said Owen Gallimore, head of APAC credit analysis at Deutsche Bank AG. "We have also started to see nascent inflows emerge over recent days, a rarity in a year of persistent outflows."

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MAJOR MOVES THIS WEEK

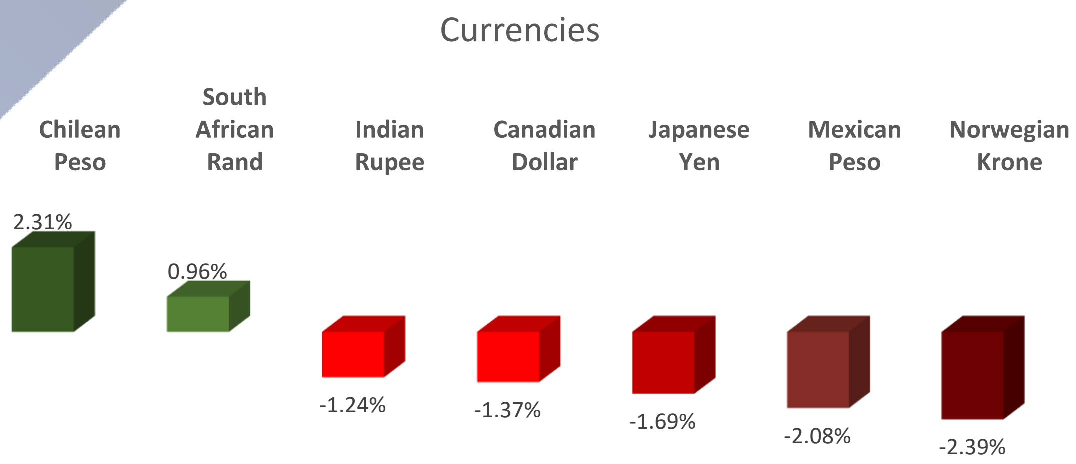


Figure 3: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

This week we have seen weakness in the global currencies market. British pound, Euro and Yen depreciated against the Dollar this week. Emerging market performed weakly against dollar Index during the week.

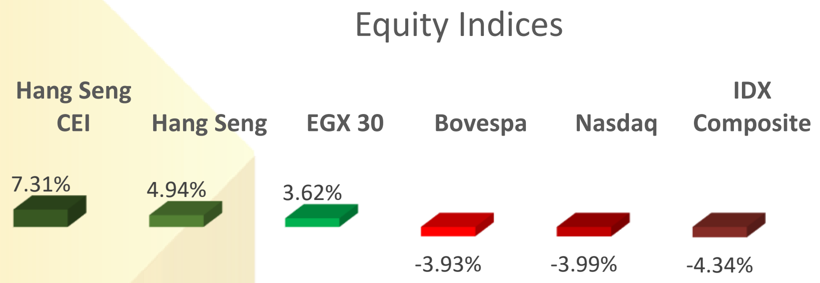


Figure 4: The chart represents the Equity Index returns over this week.

This week we have seen losses in weak performance in the global equities markets. European equities have shown weakness, Euro Stoxx 600 has underperformed large-cap indices during the week. Asian Equities have performed strongly. US markets have shown losses during the week after performing strongly previous week.

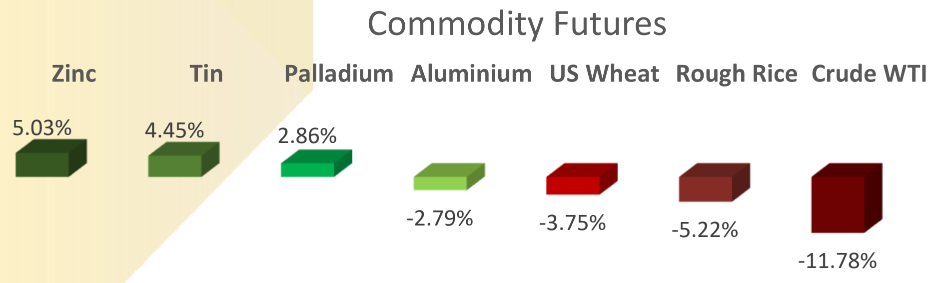


Figure 5: The chart represents the Commodity returns over the week.

Commodities have shown weakness during this week. We have seen mixed performance in industrial metals. Crude depreciated while the natural gas appreciated during the week. Gold depreciated while Silver appreciated during the week. We have seen weakness in agricultural commodities.

GLOBAL FUND MANAGERS' STATEMENTS

Jeremy Siegel (Professor of Finance at the Wharton School, Senior Investment Strategy Advisor, Wisdom Tree Investments): US stocks are poised to reverse at least some of their losses seen in 2022 and rise next year as interest rates fall and economic productivity increases, Jeremy Siegel said in an interview with CNBC on Friday.

"My feeling is it's 50 [basis point rate hike in December], the data is going to come in, and they [the Fed] won't even have any [rate hikes] in February. If that does happen, wow that's good for stocks, good for bonds and stocks," he said.

Siegel's confidence stems from the fact that inflation is starting to fall quickly, especially when you consider current home rental prices, and that the economy is likely to see a slowdown in growth once the Fed's rate hikes start to fully impact the broader economy.

"I put the actual rental housing prices in, the actual Case-Shiller prices into the CPI Index. And guess what? Core inflation over the last two months has been negative... it is coming down so rapidly," he told.

"Remember a year ago in September, Jay Powell said: 'No increases in Fed funds will be necessary for 2022.' This was in September of last year. So now, when they increased it how many times, are we now to believe that they know what is going to happen in 2023? No. They're just going to follow the data," Siegel said.

Another element that has Siegel excited for stocks in 2023 is his view that economic productivity is going to rise as companies put more focus on profits.

"We have 4.5 million new workers and almost no GDP increase [in 2022]. I think next year we're going to have much lower payroll growth, and much better GDP, because that record decline in productivity we had this year is going to reverse in 2023," he said.

"People are going to start working again and say 'you can't fire me anymore.' Firms are going to be firing people who don't work. Productivity is going to go up, that improves margins and that's good for profits," Siegel said. And over the long-term, higher stock prices are highly correlated to higher corporate profits.

Jamie Dimon (Chairman of the Board and Chief Executive Officer of JPMorgan Chase): Jamie Dimon on Monday warned that a "very, very serious" mix of headwinds was likely to tip both the U.S. and global economy into recession by the middle of next year.

Dimon, chief executive of the largest bank in the U.S., said the U.S. economy was "actually still doing well" at present and consumers were likely to be in better shape compared with the 2008 global financial crisis.

"But you can't talk about the economy without talking about stuff in the future — and this is serious stuff," Dimon said.

"These are very, very serious things which I think are likely to push the U.S. and the world — I mean, Europe is already in recession — and they're likely to put the U.S. in some kind of recession six to nine months from now," Dimon said.

Dimon said that while the Fed "waited too long and did too little" as inflation jumped to four-decade highs, the central bank is "clearly catching up."

"And, you know, from here, let's all wish him success and keep our fingers crossed that they managed to slow down the economy enough so that whatever it is, is mild — and it is possible," he added.

"It can go from very mild to quite hard and a lot will be reliant on what happens with this war. So, I think to guess is hard, be prepared.

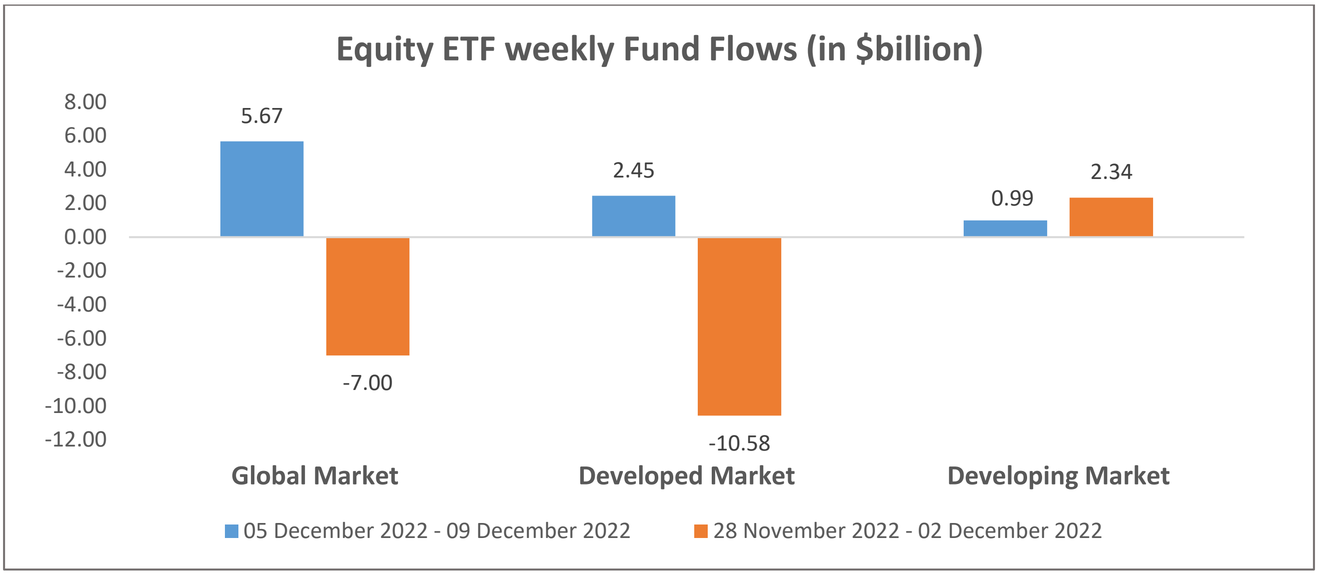
Brian Moynihan (Chairman and Chief Executive Officer, Bank of America): Brian Moynihan said that a "shallow" recession is likely coming in 2023, despite other bank bosses warning that high inflation would sink the economy.

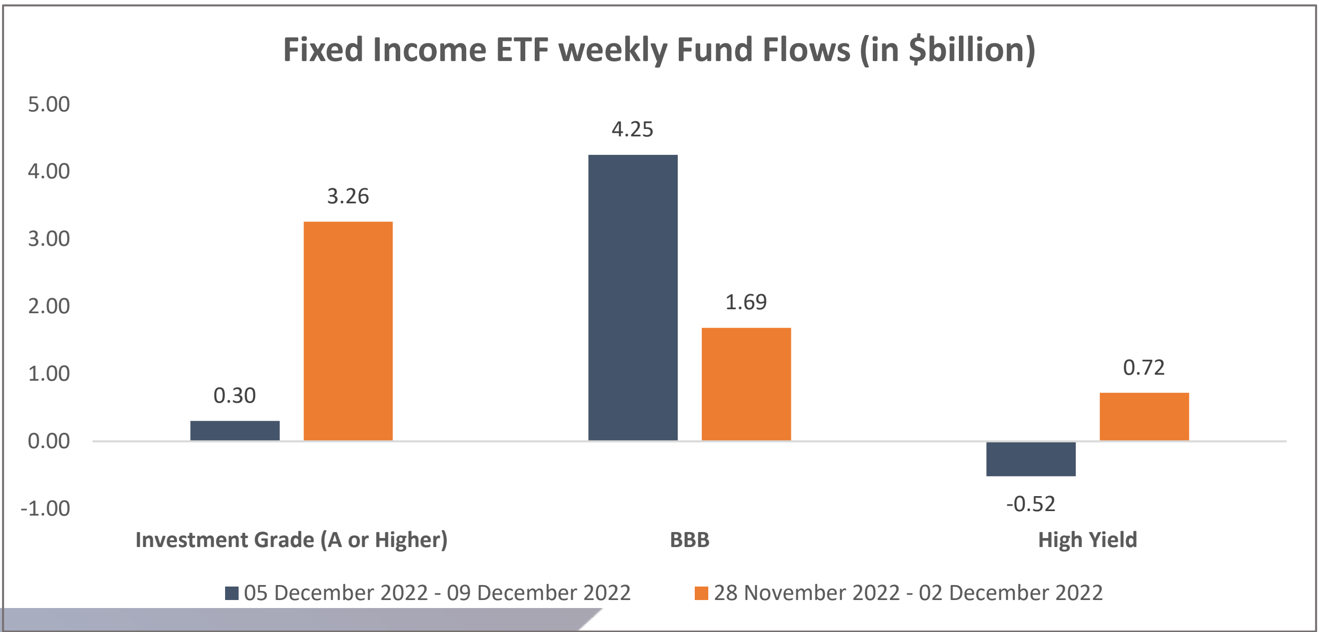
"We've got to get inflation under control, and that's what the Fed's trying to do. And so you're seeing the most interest rate-sensitive parts of the economy take the hit first."

"They're going to raise rates," he said, and those rate hikes may last for "longer than people think."

Moynihan has repeatedly argued that the American consumer is in "very good shape" even though inflation remains high. That is despite a majority of US voters — 68 percent, to be exact — saying that they believe the economy is currently in a recession, according to an NBC News poll.

GLOBAL ETF FUND FLOWS





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 corrected sharply last week led by Nasdaq which fell almost 4%. We believe equities may correct somewhat more in the coming days even though there probably isn't any significant downside left in them. In fact, over the next couple of months or so global equities may have more upside potential left in them. Many equity indices may end up going up beyond their December highs by February first half. We believe crude oil may be close to an intermediate bottom at current levels. We expect gold and silver to become sideways in the near term before they resume their longer term uptrend. Similarly US long term Treasuries also may become sideways for now. Dollar index also may have made an interim bottom for now and may become sideways to bullish over the next few weeks.

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