Weekly Report and Outlook on Global Markets

27th January 2023

MARKET DEVELOPMENTS

<u>Top European Stock ETF Set for Largest Inflow Since ‘21</u>

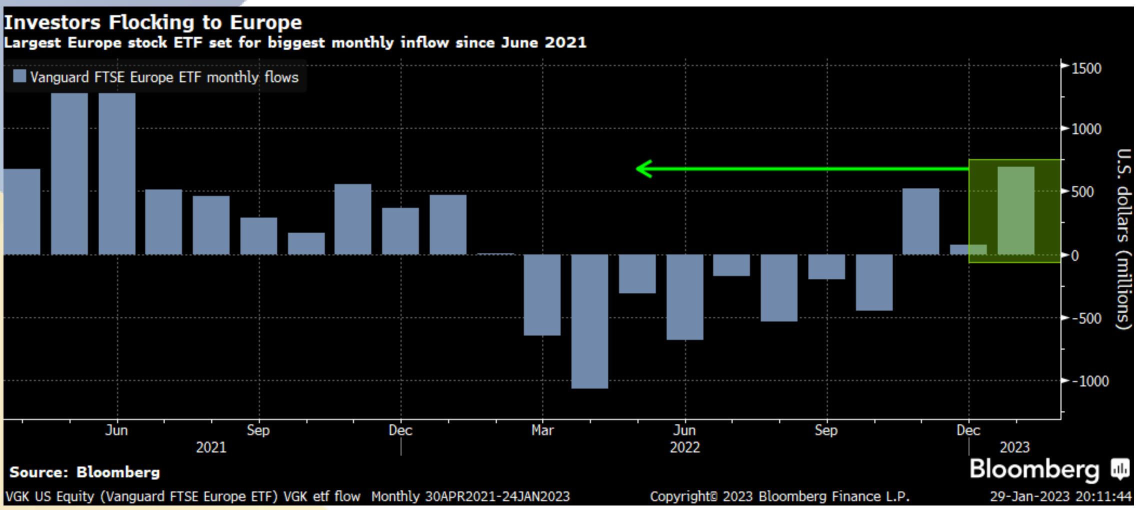


Figure 1: The chart shows the Bloomberg Aggregate Bond TRI and MSCI All country world index, and the correlation between the two indices

In the latest sign that European equities are winning fans among investors this year, the biggest US-listed exchange-traded fund focused on the region’s stocks is set for its largest monthly inflow since June 2021. As the Stoxx Europe 600 benchmark enjoys its best start to a year on record thanks to the avoidance of an energy crisis, slowing inflation and China’s reopening, the Vanguard FTSE Europe ETF (ticker VGK) has lured almost $700 million in January so far.

<u>ESG ETF Flows Drop as Concentration Risk Rattles Market</u>

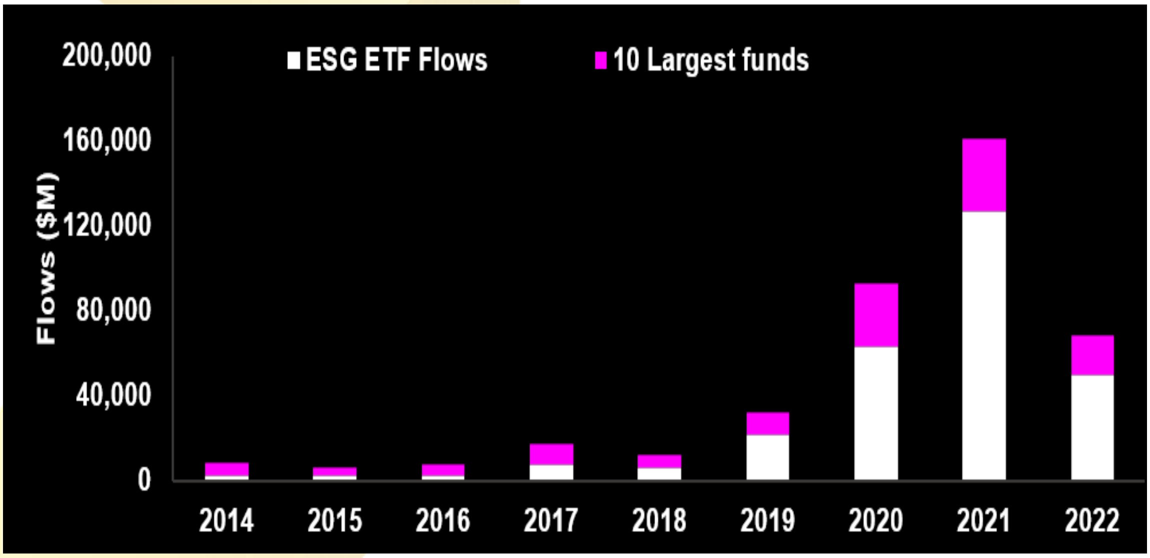


Figure 2: The above chart shows the No of consecutive net inflow days for the Chinese stock market

Global flows into ESG-related exchange-traded funds dropped by more than half last year from a record in 2021, and more volatility may be in store for 2023. In contrast to a popular narrative blaming the backlash against ESG, the plunge was likely driven by performance concerns, the unraveling of a concentrated investor base and model portfolio changes, Bloomberg Intelligence strategists Shaheen Contractor and Athanasios Psarofagis said in a note Tuesday. That concentration risk may result in continued swings in flows, which could slow long-term growth if the few big investors exhaust their allocations, they said.

MAJOR MOVES THIS WEEK

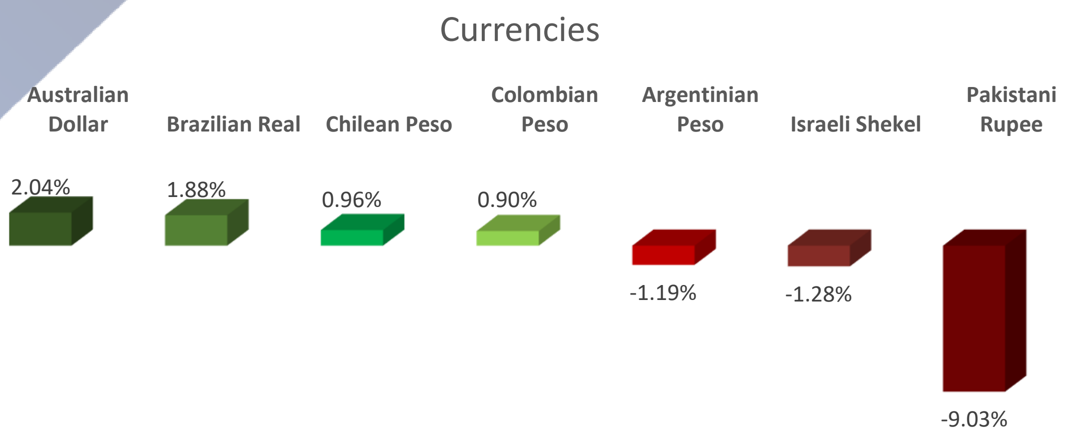


Figure 3: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

This week we have seen strength in the global currencies market. Euro and British pound appreciated, while the Yean depreciated against the Dollar this week. Asian Currencies have shown a mixed performance against the greenback during the week.

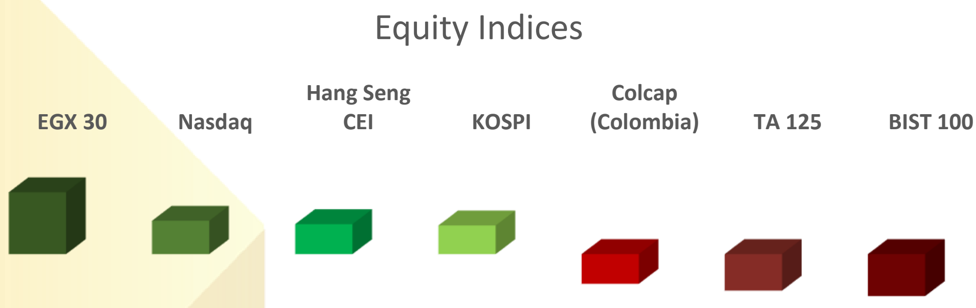


Figure 4: The chart represents the Equity Index returns over this week.

This week we have seen strength in the global equities markets. European equities strengthened; Euro Stoxx 600 has underperformed large-cap indices during the week. Asian Equities have shown strength. US markets have gained led by the Nasdaq heavyweights.

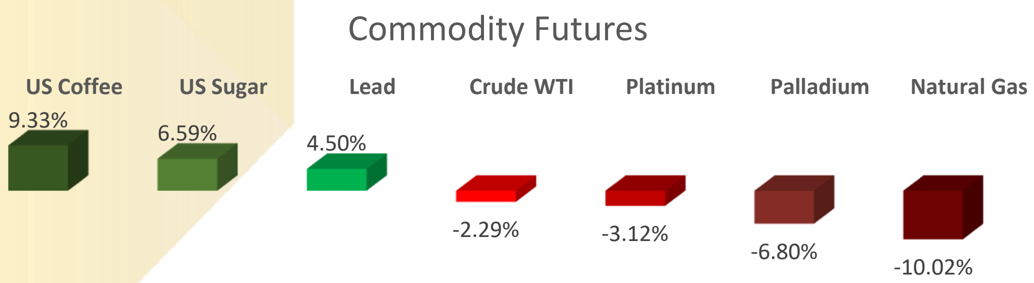
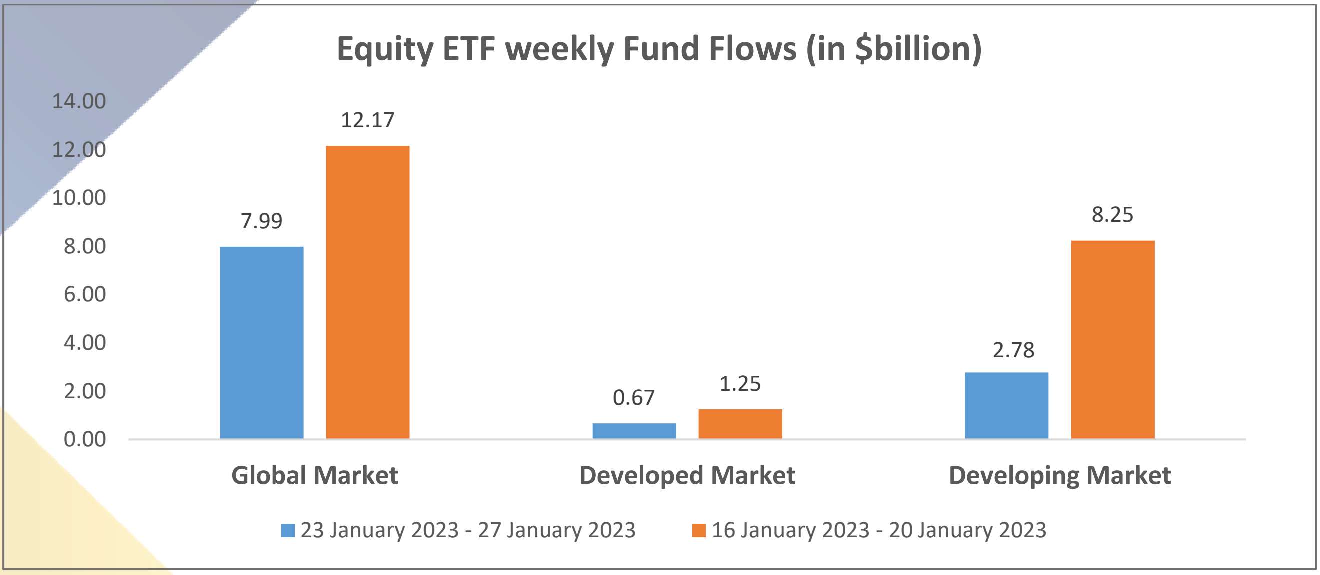
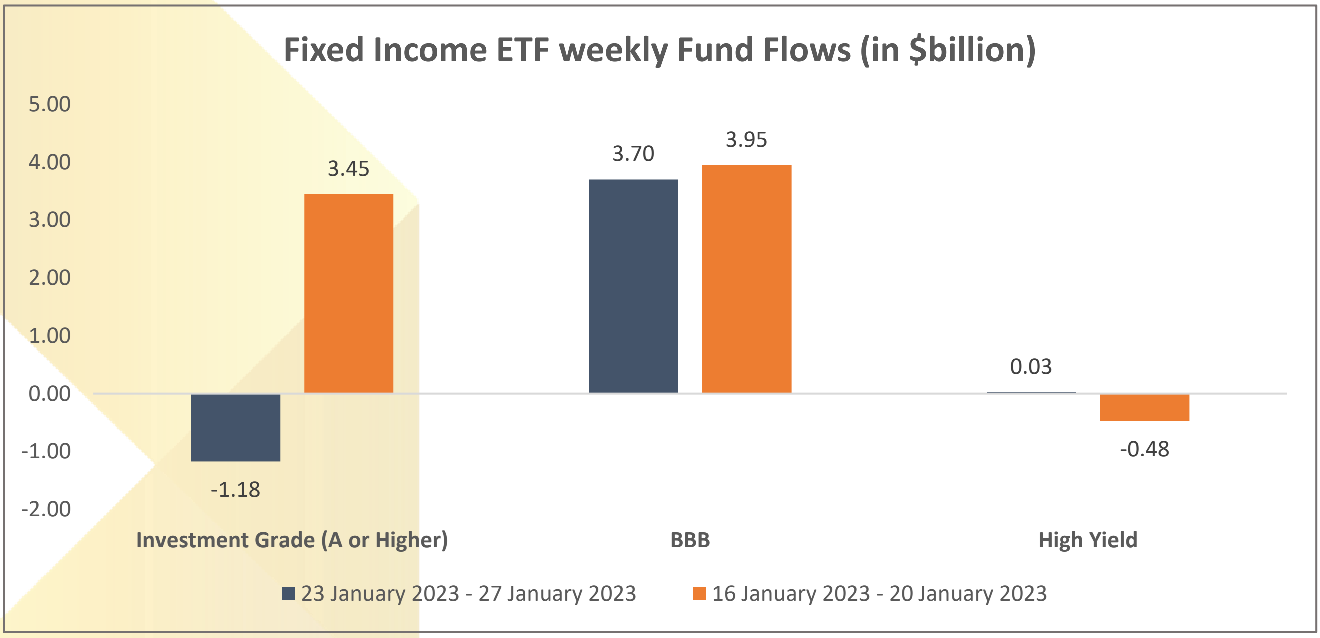


Figure 5: The chart represents the Commodity returns over the week.

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

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

Nasdaq 100 led the global equities higher with the FANGMA stocks on an absolute fire this week. We believe global equities are going to be largely sideways with a bullish bias for the coming two weeks with a potential peak probably in place by the first half of February. We continue to believe that longer term we are in the middle of the most heinous bear market in a generation. Hence as this rally unfolds it will be a great opportunity to exit equities and focus on fixed income and precious metals for the next at least 3 years. We continue to see a very deep global recession on the horizon. This recession could begin in the second half of 2023 and go all the way till 2025-26. We see a deflationary bust for the global risk assets over the next 3 years with Central banks and Central governments largely adopting a hands off policy in the first phase of the recession. This is because of the ghost of inflation that may continue to haunt them for a long time. They will truly restart their expansionary policies only when the recession becomes deep and entrenched and the inflation goes into the negative territory. That stage will probably happen only by second half of 2024 or first half of 2025. We continue to be bearish on crypto and private equity assets for the longer term.

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