



Weekly Report and Outlook on Global Markets

10th February 2023

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MARKET DEVELOPMENTS

VVIX Jump Shows Traders Expecting Bigger Swings

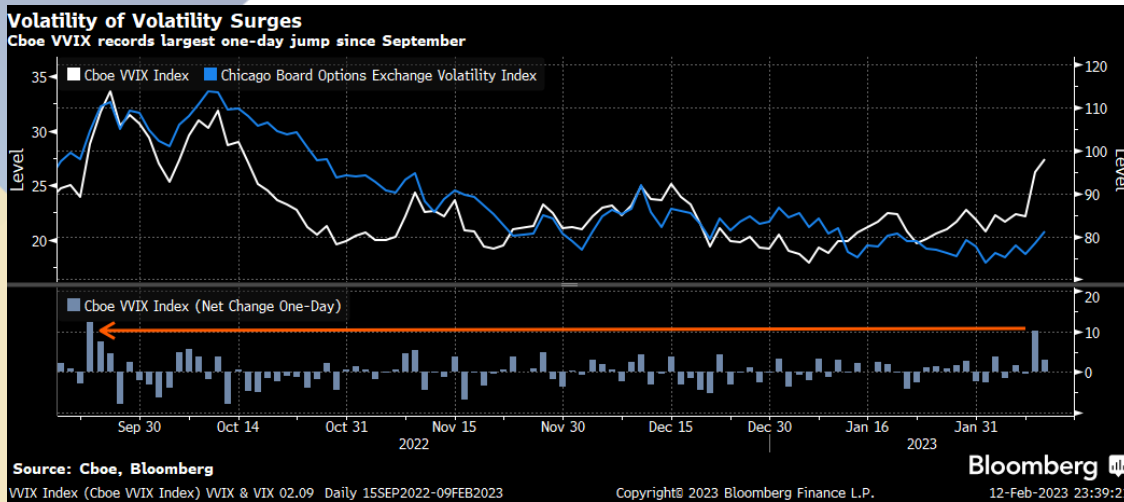


Figure 1: The chart shows the CBOE volatility index and CBOE VVIX index.

The 11% rally in the S&P 500 from its December lows is keeping the VIX depressed under the closely watched 20 level, creating a divergence with the VVIX or the “VIX of the VIX”. The VVIX recorded its largest single-day jump since September on Wednesday, a sign that market participants expect the VIX to be more volatile in the future. That assessment may have merit, with the S&P 500 approaching a “downside-gap” area between 4,203-4,218 that was created in August, leading to a 14% slump before the market bottomed out in October.

Nikkei Volatility Drops to 19-Month Low Amid Growing Optimism

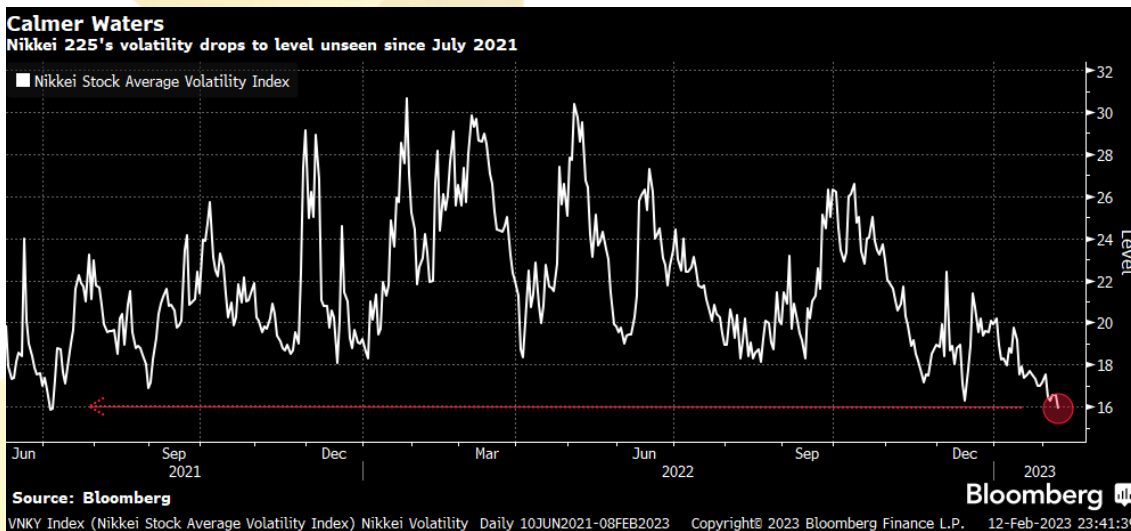


Figure 2: The chart shows the Nikkei 225 volatility index.

The Nikkei 225 Stock Average’s measure of expected price fluctuations slipped to the lowest level since July 2021 as the equity market extended its recovery from the Bank of Japan’s surprise revision to its yield-curve-control policy in December. The drop in the Nikkei Stock Average Volatility Index, the bourse’s so-called fear gauge, signals investors are “very optimistic,” said Masanari Takada, a Japan derivatives strategist at JPMorgan. The underlying equity benchmark has rallied 5.8% so far this year.

MAJOR MOVES THIS WEEK

Currencies

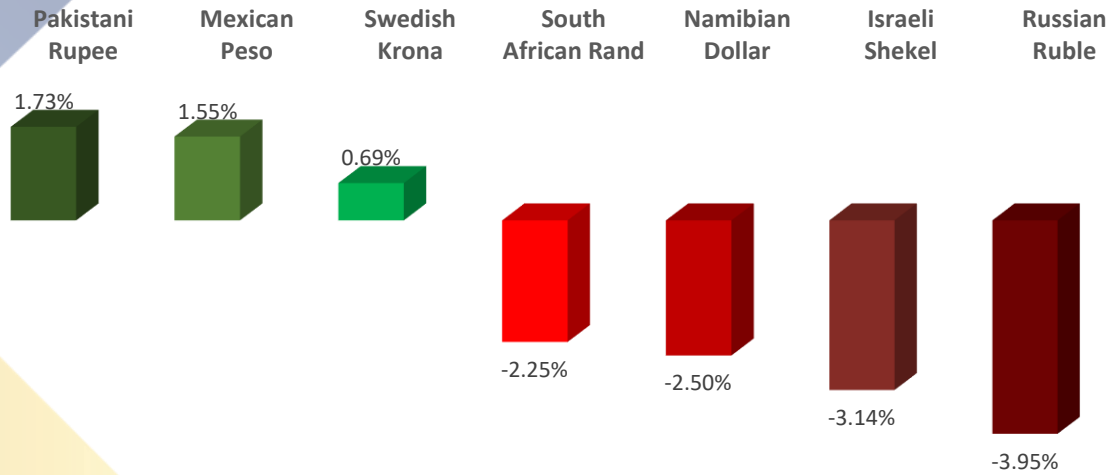


Figure 3: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

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

Equity Indices

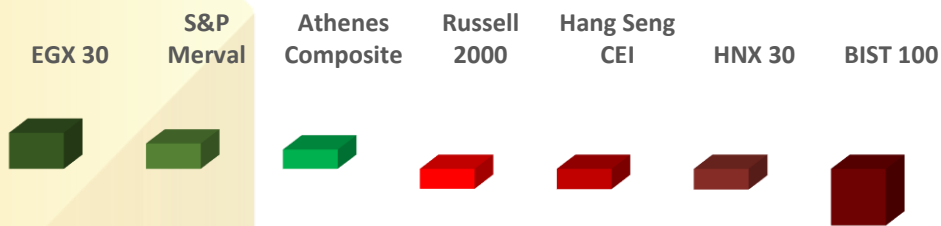


Figure 4: The chart represents the Equity Index returns over this week.

This week we have seen weakness in the global equities markets. European equities have also corrected; Euro Stoxx 600 has outperformed large-cap indices during the week. Asian Equities have shown weakness. US markets have lost previous gains made in Nasdaq heavyweights.

Commodity Futures

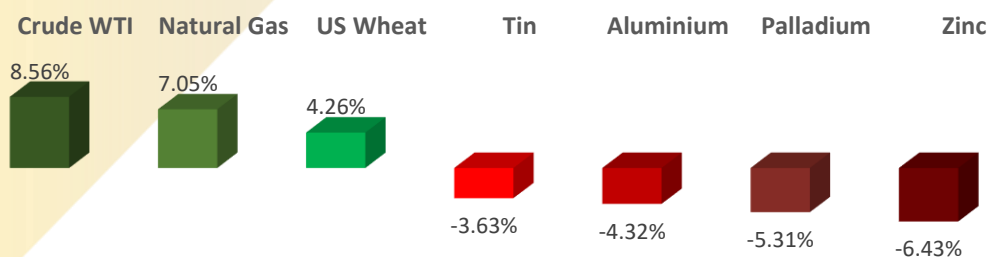
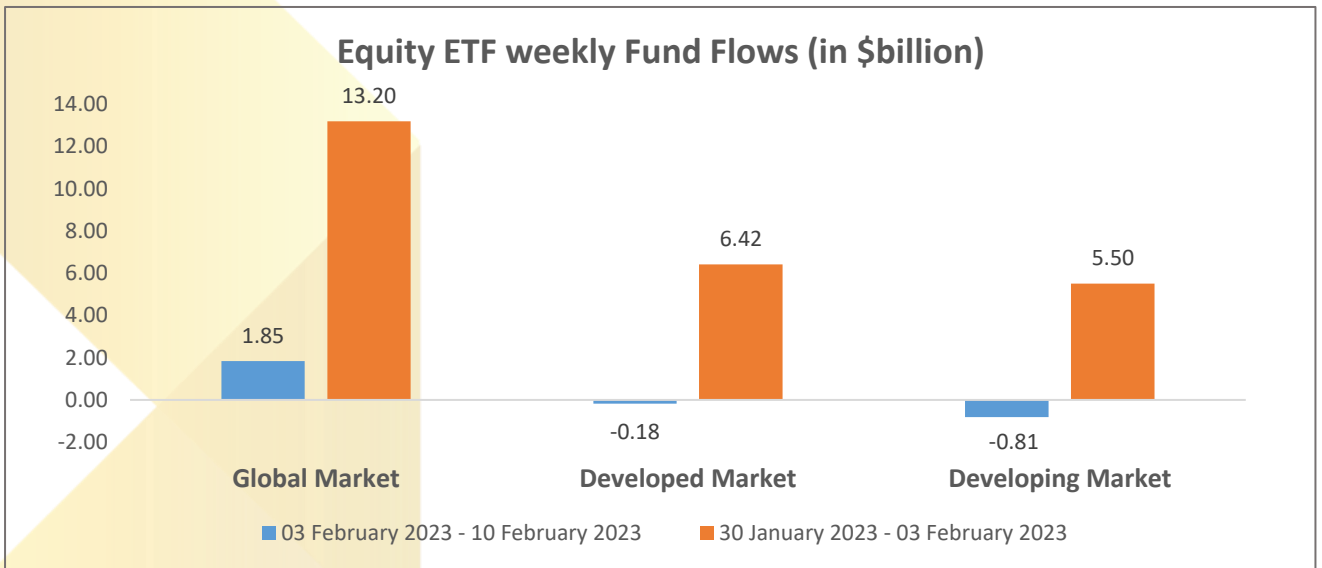
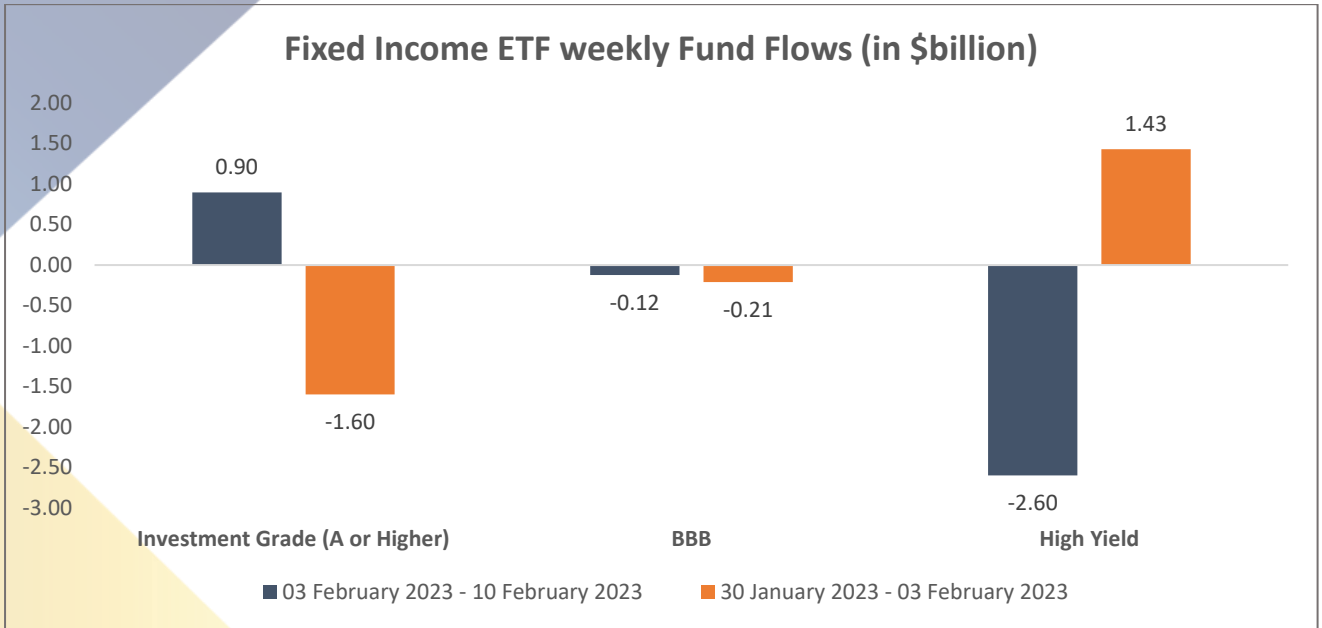


Figure 5: The chart represents the Commodity returns over the week.

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

Global equities corrected sharply this week led by Nasdaq which is down more than 4% from its highs of last week. We believe the short-term froth may have got sorted in this correction and global equities may stabilize over the next few weeks. However over the next two years, we expect most of the equity indices to lose 20-30% from their 2023 highs. Gold and long term US Treasuries have also corrected over the last two weeks. We expect them to stabilize now and then launch their next bull move over the next couple of months. We still believe that US 30 year Treasuries are going to be best performing asset class over the next two years and gold should be the best asset class over the next 5 years. We remain ultra-bearish on crypto assets.

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