



**PACE 360**

# Weekly Report and Outlook on Global Markets

3<sup>rd</sup> February 2023

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# MARKET DEVELOPMENTS

## Slowing Economy May Not Mean Fed Cuts Rates Any Time Soon

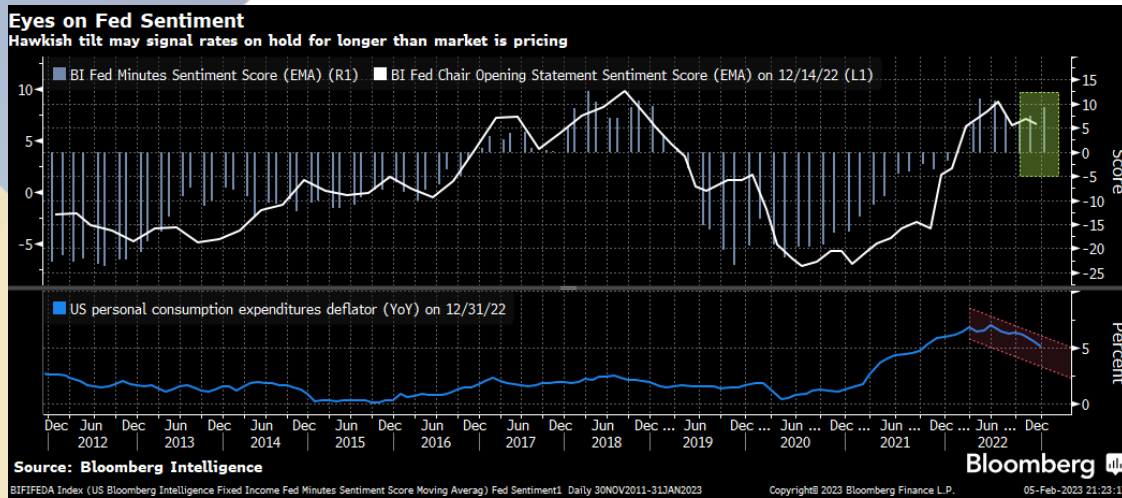


Figure 1: The chart shows the Bloomberg Intelligence FED minutes and FED Statement sentiment Scores and US Personal Consumption Deflator.

The Federal Reserve's post-meeting statement on Wednesday may acknowledge the slowing economic landscape, requiring Chair Jerome Powell to emphasize the central bank plans to hold rates steady for longer than the market is currently pricing, Ira Jersey and Will Hoffman, Bloomberg Intelligence US interest rate strategists, said in a preview. Fed minutes published on Jan. 4 showed a more hawkish tilt, based on the BI sentiment model, and job losses will be key for policymakers to consider cutting rates. Otherwise, on-hold will remain their base case, which could mean a re-tightening of financial conditions if rate cuts in late 2023 and early 2024 are priced out of the market, they said.

## Stock Rally Hints at Excessive Optimism, Bumpy Ride Ahead

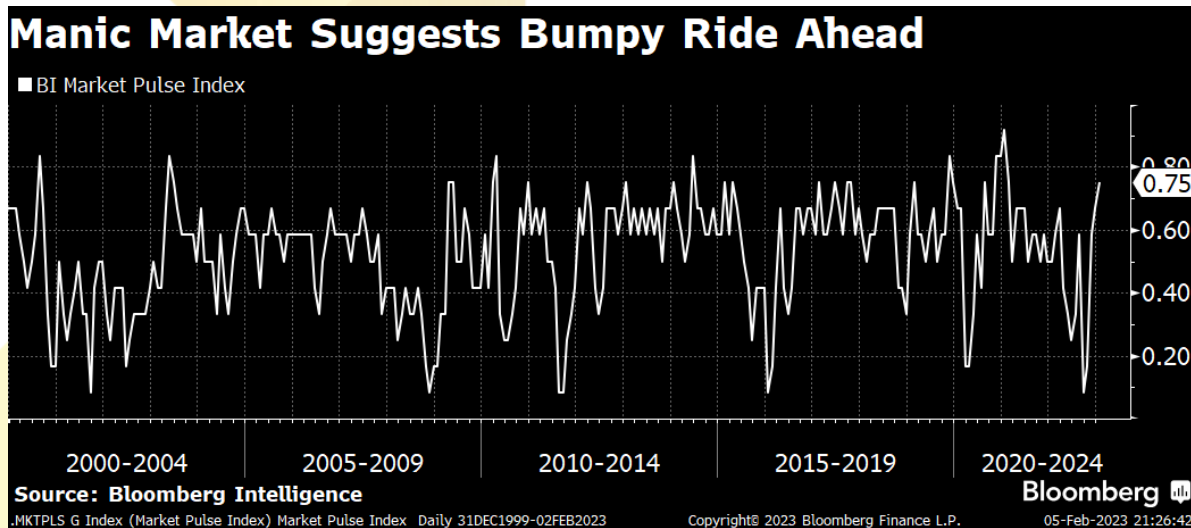


Figure 2: The chart shows the Bloomberg Intelligence Market Pulse Index

Broadening participation and brightening prices improve the probability that October's low is the one that sticks for US large-cap equities, yet signs of excessive optimism started to emerge with the January rally, Bloomberg Intelligence strategists Gina Martin Adams and Michael Casper said in a note Thursday. The BI Market Pulse index continued its climb further into manic territory, signaling elevated risk-taking and more-volatile equity markets likely in the short term. In the three months following a manic reading, the Russell 3000 has gained an average of only 1.7%, with the S&P 500 leading the Russell 2000 by an average of 140 basis points over the past decade.



# MAJOR MOVES THIS WEEK

## Currencies

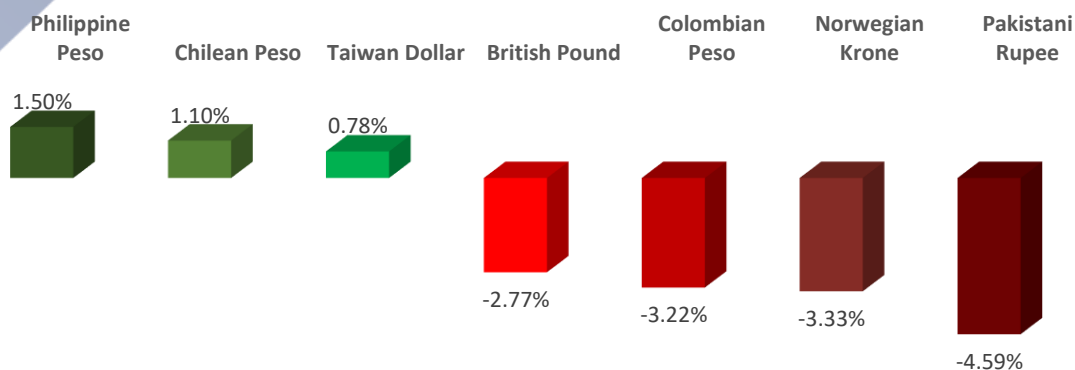


Figure 3: The graph represents Currency returns with respect to US Dollar as the base currency for this week.

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

## Equity Indices

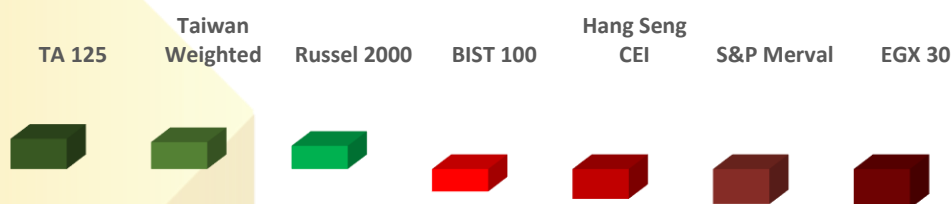


Figure 4: The chart represents the Equity Index returns over this week.

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

## Commodity Futures

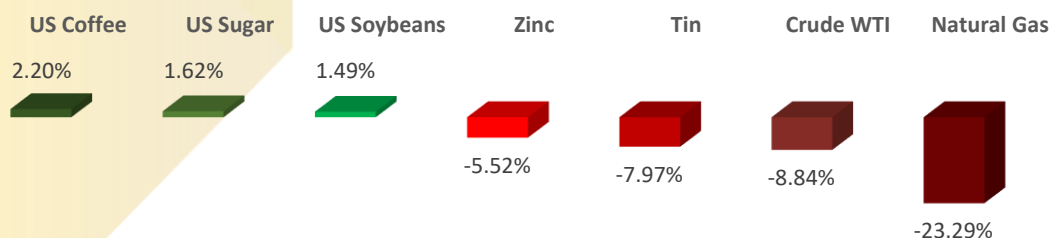
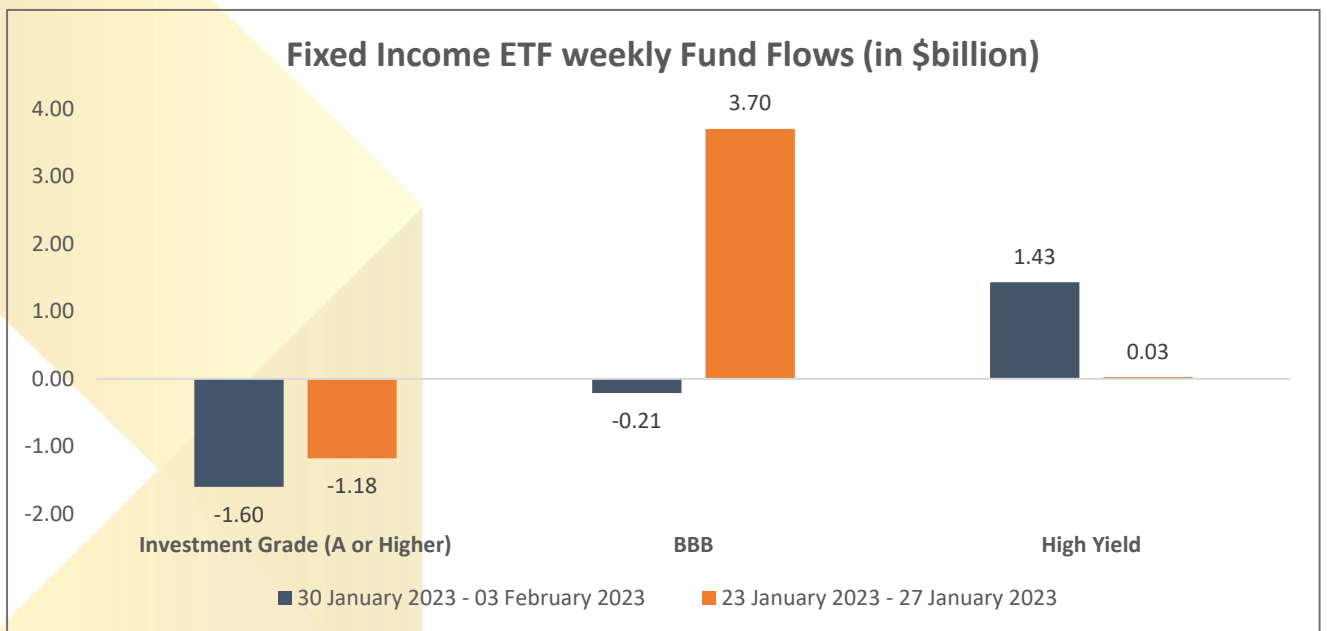
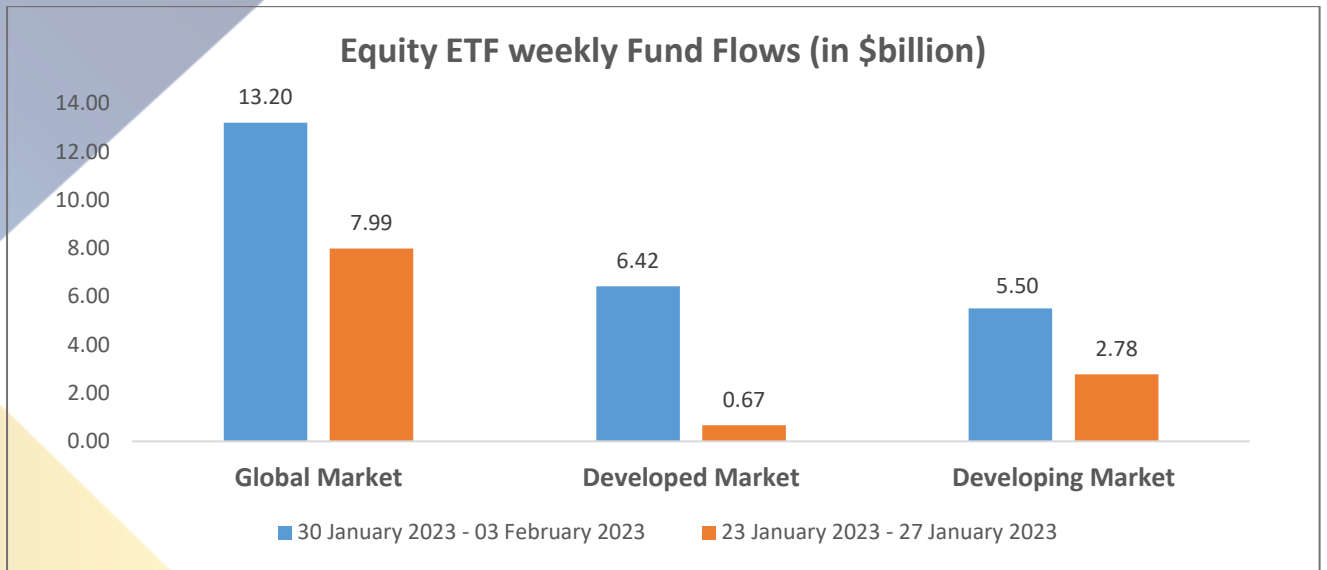


Figure 5: The chart represents the Commodity returns over the week.

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

We believe most of the global equity indices have made their rally peaks in the last two weeks with US and European equities making stunning highs in the last couple of days. The sentiment indicators which were at historical lows in October 2022 are already at multi-month highs. US non-profitable tech stocks are up more than 25% in just the last five weeks. We see the equity markets as being very close to a turning point right now. We expect most global indices to go down by 15-20% before the end of CY 2023. We expect a global recession to begin in the second half of CY 2023 or the first half of CY 2024. We believe gold and silver have made medium term peaks and should consolidate for the next few months before they make new highs. We believe dollar index has bottomed out for now and should bounce higher in the near term. We expect industrial commodities to be in a range with a bearish bias. We expect US Treasury yields to also be in a range before starting their next bull move. We remain extremely bearish on crypto assets for the long term.

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