



# Weekly Report and Outlook on Global Markets

19<sup>th</sup> May 2023

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# MARKET DEVELOPMENTS

## Euro-Zone Industrial Production Declines 4.1%

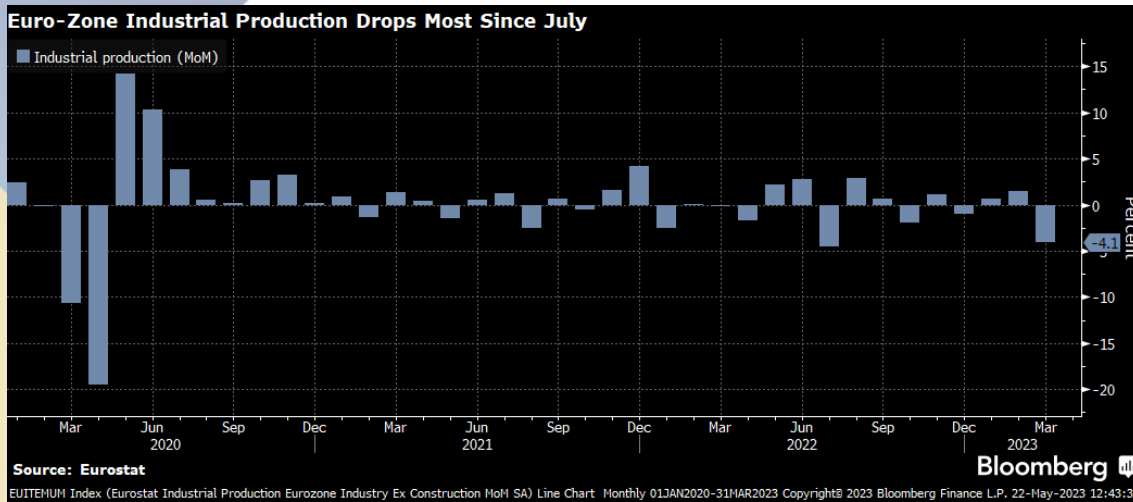


Figure 1: The chart shows the Euro one Industrial Production Change MoM.

Euro-zone industrial production slumped by 4.1% in March from the previous month, its' biggest decline since July 2022. The largest contractions were seen in Ireland and Germany, the motor of the region's economy. When broken down by category, by far the most significant drop was from capital goods, whose production fell by 15.4% on the month.

## Foreigners Buy Japan Equity for Sixth-Straight Week Amid Rally

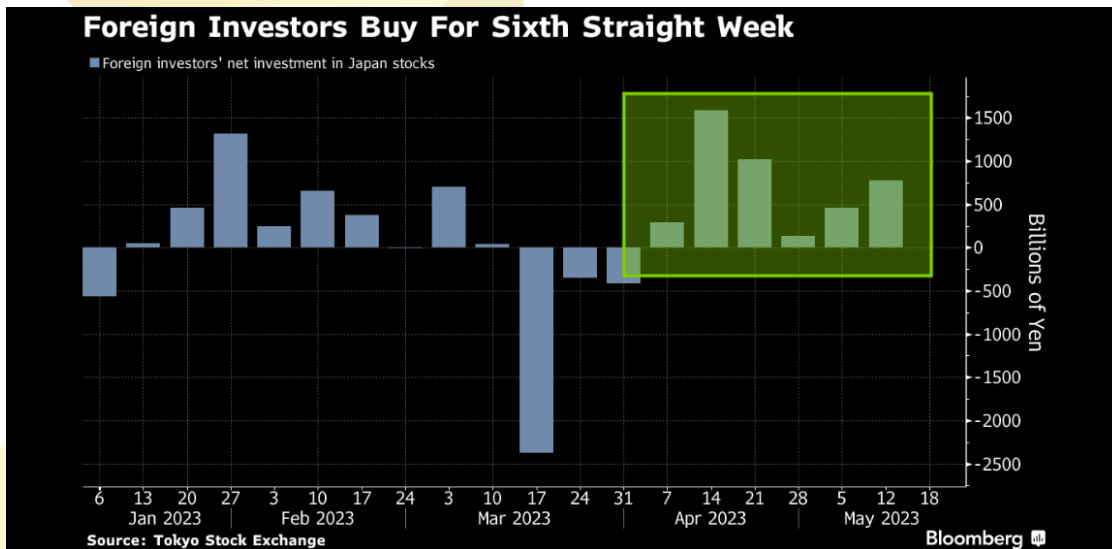
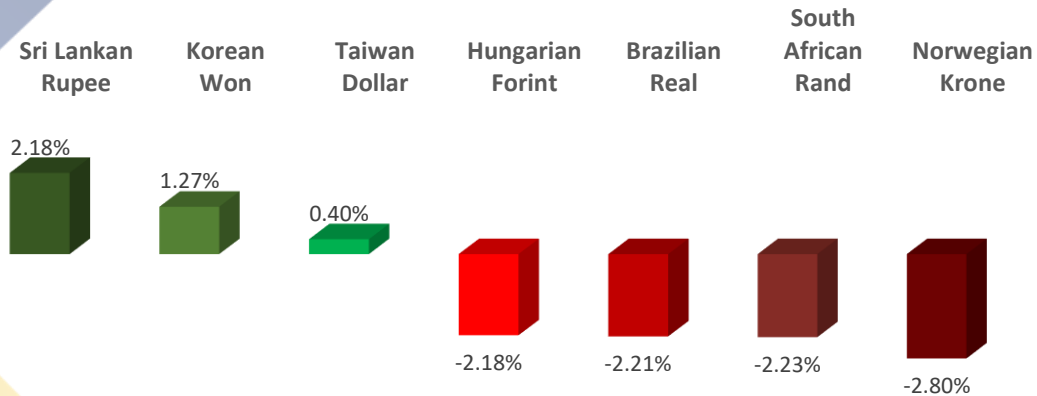


Figure 2: The chart shows the Foreign investors net investment in Japanese stocks

Overseas traders bought a net ¥781 billion (\$5.7 billion) worth of stocks and futures in the week ended May 12, according to exchange data. Helped by the inflow of funds from abroad, Japan's Topix has climbed to its highest level in nearly 33 years, outperforming all Asian peers as well as US and European equity benchmarks.

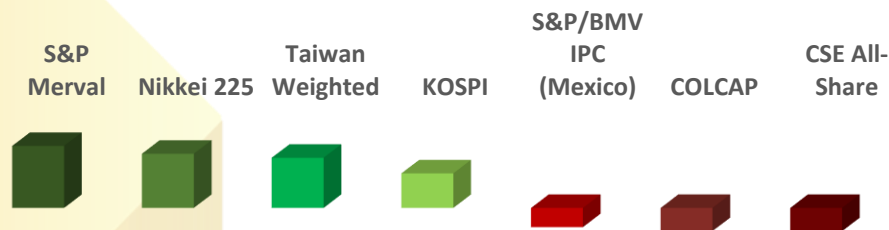
# MAJOR MOVES THIS WEEK

## Currencies



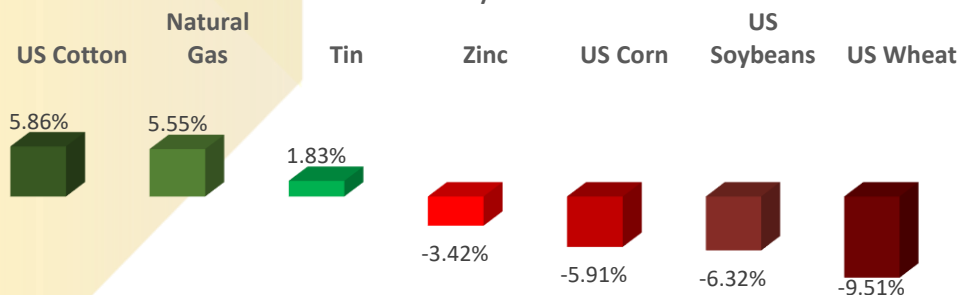
**Figure 3:** The graph represents Currency returns with respect to US Dollar as the base currency for this week. This week we have seen weakness in the global currencies market. Euro and British Pound and Japanese Yen depreciated this week. Emerging market currencies have weakened. Asian currencies have also depreciated against the greenback during the week.

## Equity Indices



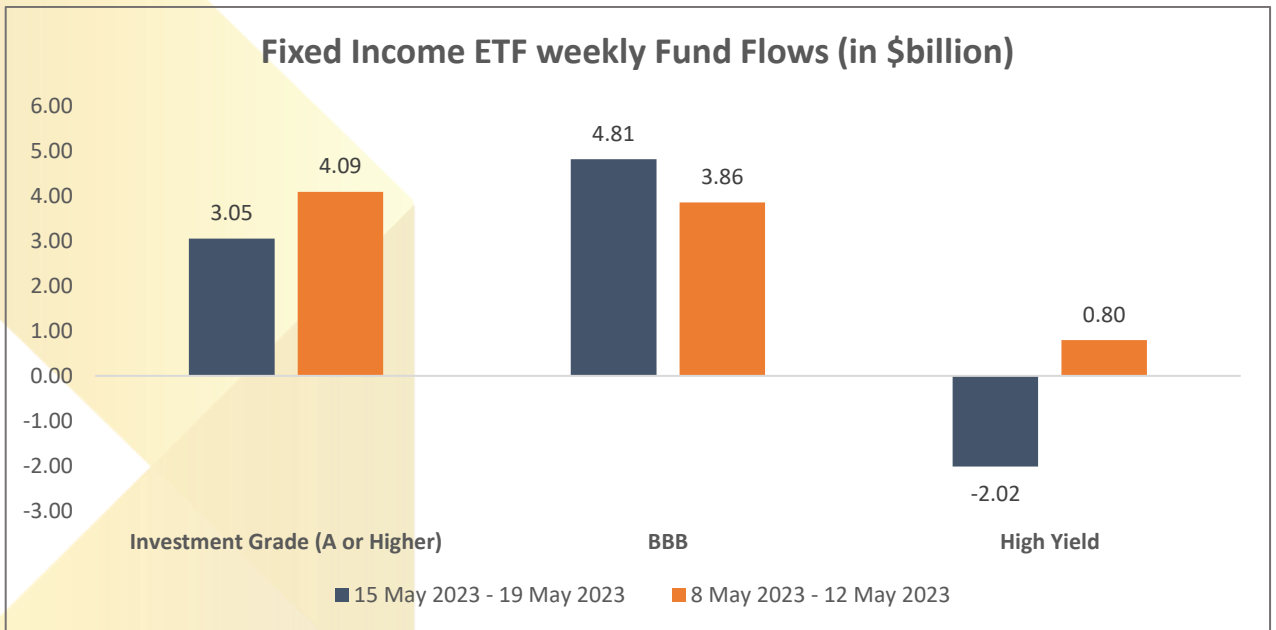
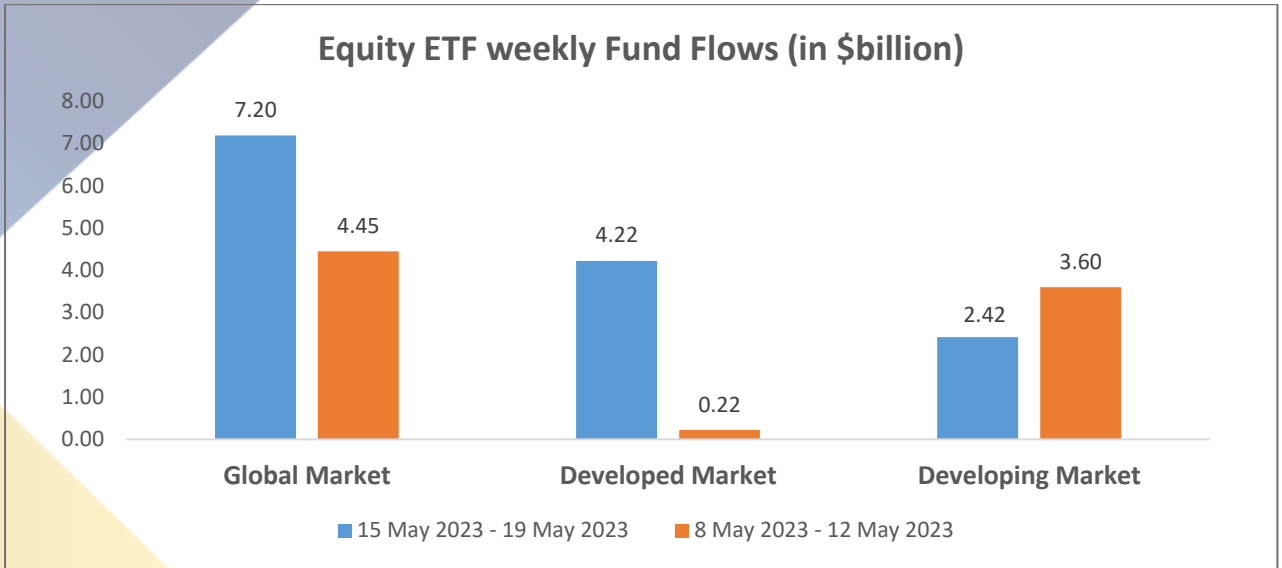
**Figure 4:** The chart represents the Equity Index returns over this week. This week we have seen strength in the global equities markets. European equities have shown strength during this week, after correcting during the past week; Euro Stoxx 600 and Euro Stoxx 50 appreciated during the week. Asian Equities were among the best performers this week. US stocks have rallied, however, they have shown signs of the equity rally peaking out with Russel 2000 underperforming the major indices.

## 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 mixed moves in the industrial metals. Crude and natural gas appreciated during the week. Gold and Silver depreciated during the week. We have seen weakness in the agricultural commodities as well.

# 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

Most of the Developed world equities went up last week even as the EM equities languished because of the sharp rise in US dollar index. We believe that the last remaining holdouts like Nasdaq 100, European indices and Japanese Nikkei have either made their rally tops or are very close to it. The relationship between equities and long duration bonds is now firmly in the negative. The last few weeks of equities rally has caused a sharp fall in long term bonds. We expect the bonds to now start recovering while equities go sideways first and then fall sharply over the second half of this calendar year. We believe that the dollar index doesn't have much upside in the short term while it may still go up in the second half. We believe gold has corrected enough from the top and doesn't have much downside in the near term. We continue to be supremely bullish on gold and long duration Treasuries in the long term. We see the global recession to deepen by the middle of next calendar year. Most of the Developed world is going to experience Japanification of their economies with worsening demographics and unsustainable debt. Hence the impending recession can be expected to be a long and protracted one rather than a short and sharp one.

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