

NEWSLETTER  
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PI SQUARE  
INVESTMENTS

After an outstanding CY 2021, the first quarter of 2022 has been difficult for global equity markets. Concerns over the economic implications of the Russian invasion of Ukraine and the potential need for a faster pace of interest rate hikes to fight higher inflation, weighed on both equities and bonds. Russia is a major energy and commodity producer and the escalation of tensions pushed energy and commodity prices to extreme levels, exacerbating the surge in inflation, supply chain disruption and the risk to global growth. Brent oil and natural gas prices were very volatile. Oil prices saw the highest jump in a decade, crossing \$120 mark again after 8-9 years. Oil prices will be a big factor on inflation numbers going forward and all consumption economies will witness higher inflation in coming months. The Fed raised the target rate by 0.25%, as expected, making it clear that further increases will be appropriate. The median voting member at Federal Bank now expects seven hikes this year, and four next year, signalling that the rates could end this hiking cycle higher than the committee's perceived neutral rate of 2.4%. The committee plans to reduce the size of its now \$9.0 trillion balance sheet for CY 2022. Consumer sentiment deteriorated during the last quarter in reaction to higher prices. However, the US labour market remained robust. The February jobs report came in much better than expected with total nonfarm payrolls comfortably surpassing consensus forecasts. The unemployment rate dropped to 3.8%, despite the labour force participation rate moving up modestly to 62.3%.

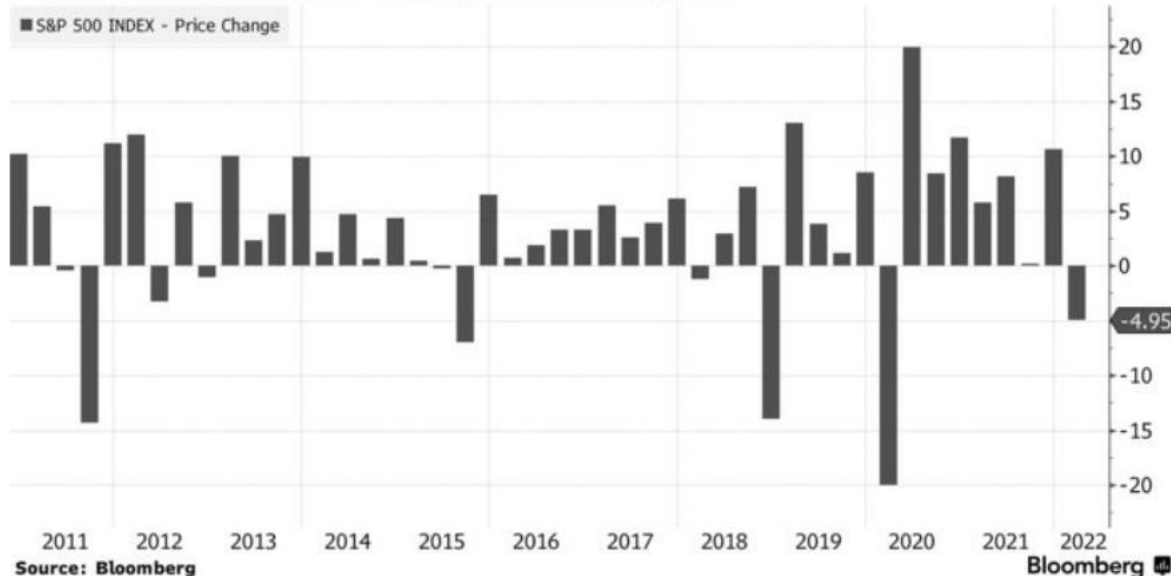
#### Surging energy & metal prices during FY22

Energy		Price	YoY
Coal (USD/T)		264	174%
Natural gas (USD/MMBtu)		6	123%
Crude Oil (USD/Bbl)		101	71%
Brent (USD/Bbl)		105	69%
Metals		Price	YoY
Lithium (CNY/T)		497500	266%
Copper (USD/Lbs)		5	13%
Gold (USD/t.oz)		1932	12%
Steel (CNY/T)		5115	5%
Silver (USD/t.oz)		25	-1%
Iron Ore (USD/T)		153	-8%
Platinum (USD/t.oz)		989	-18%

Source: investing.com

Developed market equities recovered some of their losses to end March up about 3% but were still down 5% year-to-date (YTD). Emerging markets lost a further 2% in March leaving them down nearly 7% YTD. A new round of Omicron cases in China weighed on Chinese markets on top of the broader geopolitical concerns. China posted another strict lock-down in Q1 2022 (first one since 2020), which will impact their export and financial economy for the quarter. S&P 500 was down by -4.6% for the quarter while broader index like Russell 2000 was down by almost -6.5% and NASDAQ corrected by -9.0%. Loss making tech names were in serious correction mode, few large cap names like Facebook and few others corrected almost in the range of -30% to -40%.

### S&P 500's Quarterly Decline Benchmark index notches worst quarter in two years



As for the market fundamentals, earnings, sales, dividends and buybacks posted records for Q4 2021, while cash flow and cash resources fell short of records but remained impressive. April, which hopefully extends April Fool’s Day (up 67% of the time, compared with 52% for all days) to equity holders, is scheduled to focus on earnings, as over two-thirds of the issues will report by the end of the month, along with their updated guidance for 2022 (and the impact of inflation and supply issues). Unscheduled is the Ukraine situation and politics, with the key question being consumers’ reaction to rising prices.

	PORTFOLIO PERFORMANCE			NIFTY 50 (INR)
	USD		INR	
Since Dec 31, 2021	-8.0%	-6.1%	0.6%	-4.9%
Since Dec 31, 2020	10.0%	12.9%	19.5%	16.2%
Since Dec 31, 2019	16.2%	19.3%	17.4%	16.2%
Since Dec 31, 2018	20.6%	23.7%	15.7%	20.0%
Since Dec 31, 2017	15.8%	20.5%	12.6%	13.2%
Since Dec 31, 2016	18.5%	21.0%	15.5%	14.4%
Since Dec 31, 2015	16.9%	19.4%	13.4%	13.6%

**Disclaimer:** The return calculated above is only a historical representation of past performance and does not necessarily assure similar returns in the future. This newsletter expresses the views of the author as of the date indicated and such views are subject to changes without notice. Pi Square has no duty or obligation to update the information contained herein. Further, Pi Square makes no representation, and it should not be assumed, that past performance is an indication of future returns.

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