

Market Review December 2021

December brought more volatility to the markets across all asset classes. China has continued to reel from the debt crisis underpinning its property development sector and Bitcoin assets have had a bad finish to an otherwise great 2021. December was marked by the news of Toyota overtaking General Motors in US car sales and the improving outlook (amidst Omicron challenges) for the world airline industry.

China's Property Development Sector Stares at US\$ 197 Billion Debt Pile in 2022

China's property developers have a mounting pile of bills to pay in January and avenues to raise necessary funds have been drying up. Bloomberg reports the industry will need to find at least US\$197 Billion to cover maturing bonds, coupons, trust products and deferred wages to millions of migrant workers. Beijing has urged builders like China Evergrande Group to meet payrolls by month-end in order to avoid the risk of social unrest. This is especially a big challenge for smaller or struggling firms as it is not clear where the cash will come from for these developers. Yields have been so elevated offshore that the dollar bond market remains effectively shut for refinancing. The cash crunch for the sector seems to have spread with spooked banks and financial institutions starting to curb new loans to developers. Only a few of the larger private-sector builders have recently tapped the interbank credit market onshore, while low stock valuations limit the scope for equity financing. Generating higher revenue from a weakening property market remains a challenge. With companies like Evergrande in a similar situation, it could be challenging to sell-off non-core assets to generate revenues to payoff liabilities.

The Chinese government appears to be walking a tightrope by signaling that there will be no outright bailout for Evergrande but regulatory authorities have sought to reassure investors that the fallout would be contained. In some cases, it has been reported that Beijing has asked government-owned firms and state-backed property developers to buy some of Evergrande's assets. According to Reuters, Beijing has also asked some banks to issue more loans to real estate companies to mitigate the sector's cash crunch.

Toyota Dethrones General Motors After 90 Years as Top US Auto Seller

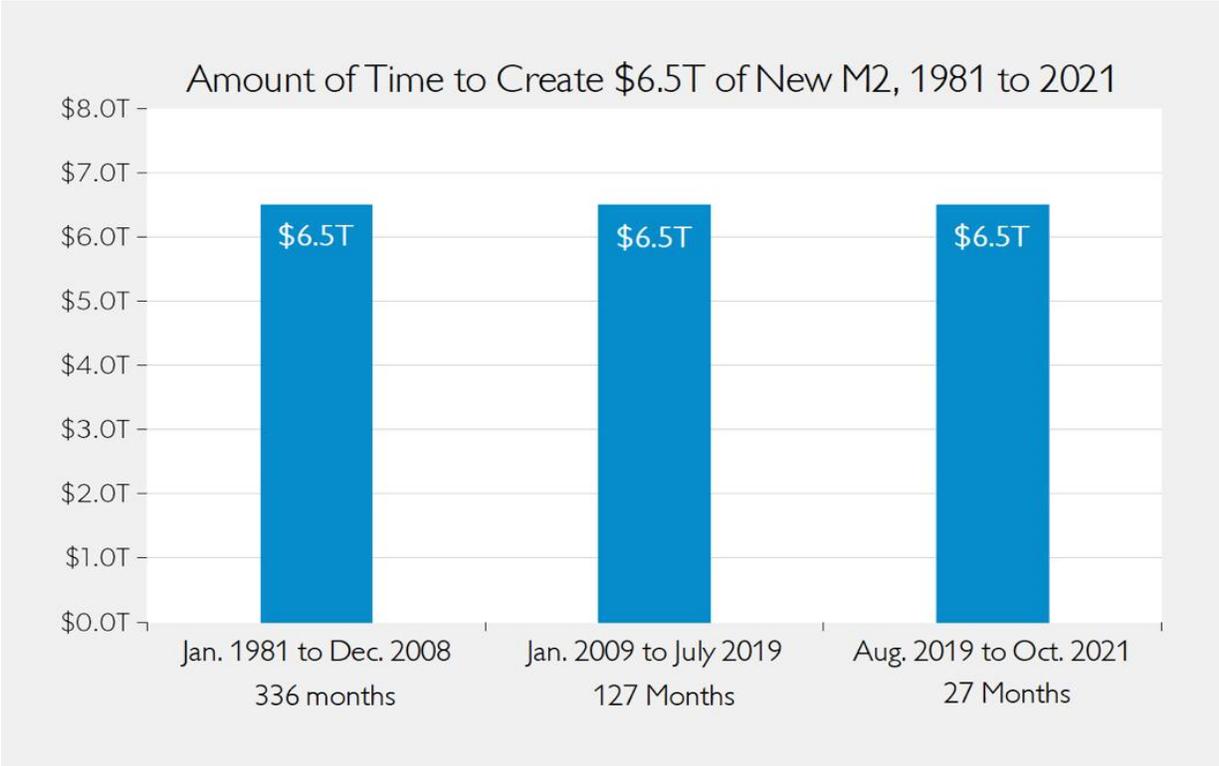
US car giant General Motors (GM) has lost its title as America's top car seller for the first time in 90 years. Japan's Toyota claimed the top spot; selling more than 2.3 million vehicles during 2021, registering a YoY increase of 10%. GM management has noted that its sales fell by 13% during the year and were hampered by the widespread shortage of semiconductor parts that has been affecting the car industry. The Detroit based company had ranked as the number one US car seller since 1931 and vowed it would bounce back. Overall, analysts expect the number of new

cars sold in the US to have increased roughly 2% in 2021 compared to 2020, when buyers were reeling from the onset of the coronavirus pandemic.

The Unprecedented Pace of Money Printing Over the Last Two Years

Since the advent of covid-19 pandemic, the pace of new money supply (M2) growth has been unprecedented with Federal Reserve (and Central Banks across the globe) creating record amounts of money. For perspective, since 1981, the Federal Reserve has increased money supply by circa US\$ 19.5 Trillion. In the graph below, this US\$ 19.5 Trillion of money supply increase has been divided into three periods during which US\$ 6.5 Trillion of new M2 has been created. Key takeaways include:

- It took 336 months between January 1981 to December 2008 to create the first batch of US\$ 6.5 Trillion.
- It took 127 months from January 2009 to July 2019 to create the next US\$ 6.5T of M2.
- Whereas it took merely 27 months from August 2019 till October 2021 (period encompassing the covid pandemic) to create another staggering US\$ 6.5 Trillion of fresh M2 supply.

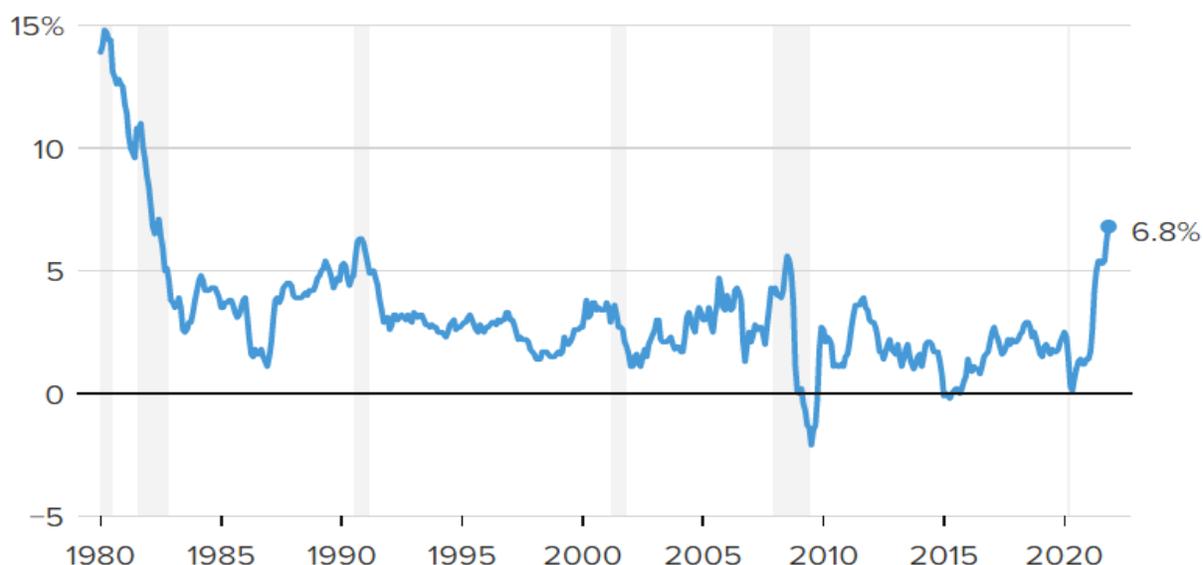


This unprecedented growth in rate of money supply has led to record inflation surge in the US which grew by 6.8% in November 2021 recording its highest level since 1982 whereby surging

prices for food, energy and shelter accounted for much of the gains. Surging prices for food, energy and shelter accounted for much of the gains.

Consumer price index, percent change from a year ago

All items in U.S. city average



The Financial Outlook of the Airline Sector Will Continue to Improve Despite Challenges owing to Covid Variants

According to the latest outlook from the International Air Transport Association (IATA), the financial performance of the global airline industry will continue to show improvement in 2022, even as the covid-19 crisis drags on. The industry is expected to further trim its losses due to rising demand for both passenger traffic and air cargo. In 2022, IATA expects demand to rise to 61% of the pre-pandemic levels as compared with 40% in 2021 and the global aviation industry is expected to post a net loss of US\$11.6 Billion; a significant reduction from the loss of US\$51.8 Billion registered in 2021. Total passenger numbers are expected to grow to 3.4 billion in 2022, compared to 2.3 Billion in 2021.

As per IATA, risks to airline sector's financial recovery are rising. Several countries have introduced new

Omicron-driven travel restrictions including complete travel bans and testing requirements for fully vaccinated passengers. This is likely to negatively impact travelers' plans in the short-term. Indeed, the initial data shows that passenger bookings for future travel fell sharply across domestic and in particular international routes since late-November. If the new travel curbs remain in place longer (despite their unclear impact on infection rate), they



might disrupt the recovering passenger revenue stream just at the time when some airlines finally reached profitability. The adjacent graph highlights the declining booking levels underscoring challenges facing the global airline sector.

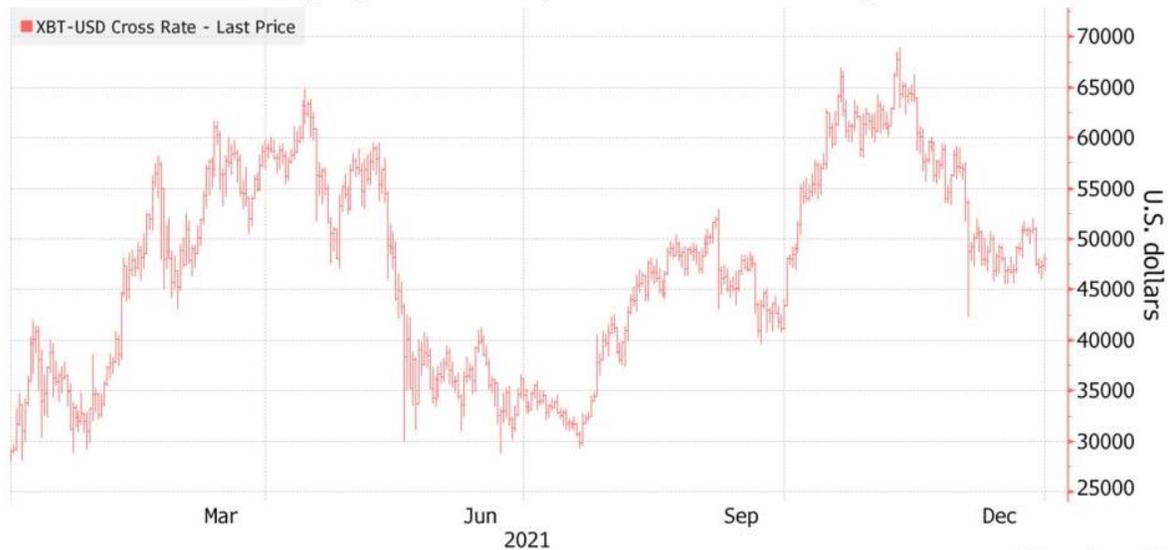
December 2021 Proved to be a Tough Month for Bitcoin Investors In An Otherwise Record Breaking 2021

The largest cryptocurrency by market value closed out December with a 19% drop, its largest monthly loss since May 2021 closing in on US\$ 46,300. This was also its worst December month since at least 2013. And its 60% advance in 2021 marked its smallest gain for an up year since 2015, when it climbed 36%.

Bitcoin had a breakout year in 2021 after the token and the wider crypto world spent 2021 pushing further into the mainstream and capturing more attention from finance professionals and the public at large. However experienced investors across Bitcoin believe that volatility witnessed in 2021 in the price performance of Bitcoin was a par for the asset class.

Good Year, But Weak Finish

Bitcoin saw double-digit gains in 2021, but is off its record highs



Source: Bloomberg

Bloomberg

Bitcoin has had a rough time since hitting an all-time high of near US\$ 69,000 in early November 2021. This is partly due to concerns over greater regulatory scrutiny around the world. But it's also losing dominance to other lesser-known upstarts that have gained in popularity as the crypto ecosystem expanded during 2021. For reference, among the biggest cryptocurrencies, Binance Coin posted the best return during 2021 adding approximately 1,300% in 2021.

While many investors continue to expect prices to recover and eventually reach new highs, the wild swings in the market suggest it could go either way.