

# The Alternate Opinion

Quantitative & Alternates

Global Liquidity Tracker: Flight of Capital to the US finally slowing down; 1st Inflow into India Midcap funds in 6-months

## Flight of Capital to the US finally slowing down; 1<sup>st</sup> Inflow into India Midcap funds in 6-months

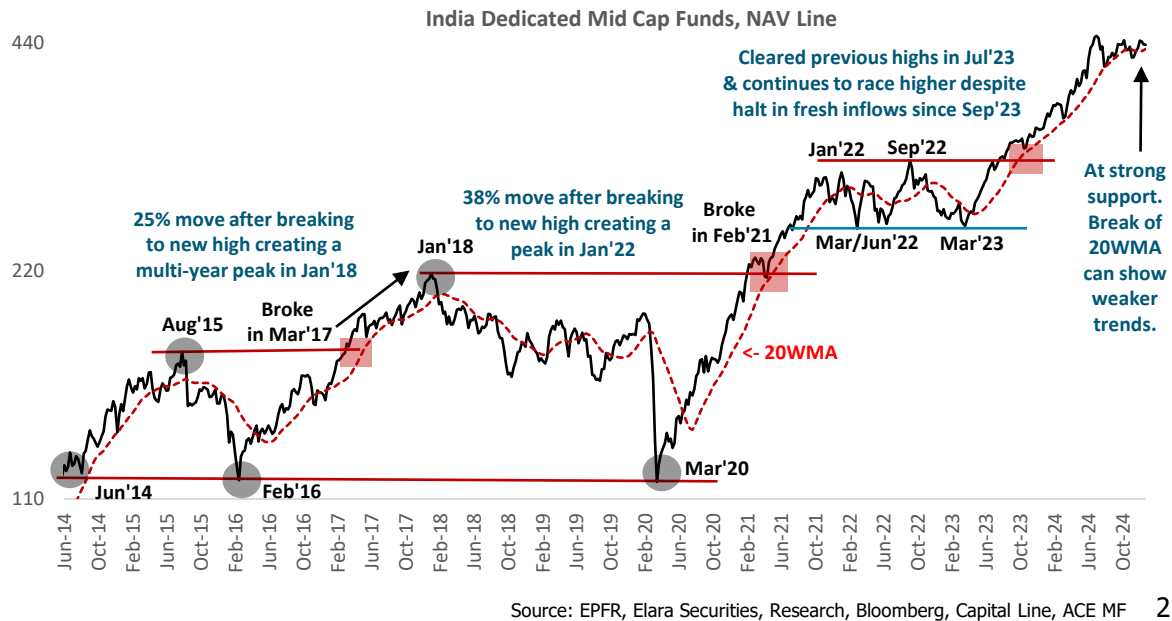
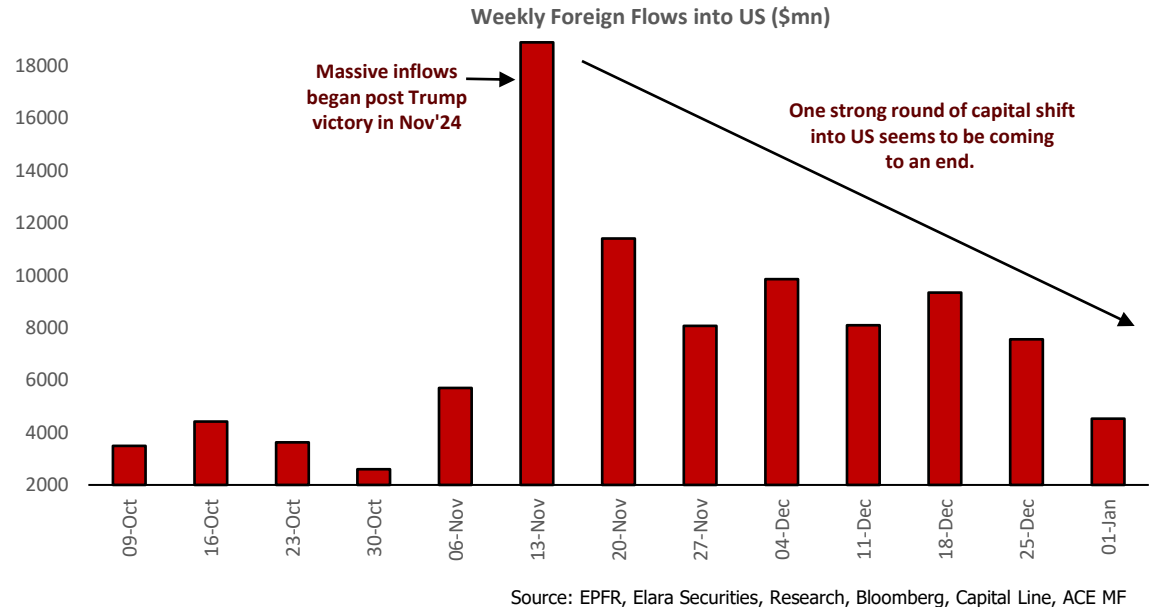
*Flight of capital into US continued but pace slowed down over the past 2 weeks. Also outflows from other regions are more selective compared to a crowded redemption phase seen in November and December (where majority of the countries were witnessing outflows).*

Since the past 2 weeks, outflows continued from most EMs except India, Singapore and Argentina. Outflows from other DMs have also halted. Currently, it is largely China, Taiwan, Japan, Brazil and Mexico from where money continued to move into the US. The pace of foreign inflow into US has also been slowing down sharply. We had seen inflows of \$19bn in week ended 13<sup>th</sup> for some time 2024 post Trump victory. That has slowed down to \$4.5bn this week. *The trend in flows indicate that we could be seeing some relief in this trade, where global flows were chasing dollar assets.*

India dedicated funds saw inflows of \$128mn this week after redemption of \$196mn in the previous week. Importantly, pressure on India flows since Oct'24 has been largely on back of allocation-based funds. India funds saw total redemption of \$3bn since Oct out of which \$ 870mn was from dedicated funds. *India Midcap funds saw 1<sup>st</sup> inflow in 6-months; inflow of \$34mn this week after outflows of \$1bn over past 6 months. This will be an important trend to watch since the change in direction is after a long time.*

NAV line of India dedicated Midcap funds is trading at a strong support since the last few months. *In spite the correction in markets, trends have not broken there. In past, any break lower has signified weaker trends for some time.* However, as of now trends are holding strong.

Global risk appetite is slowly fading as indicated by our "Asset Class Risk Flow Indicator". *This is largely as slower redemptions have started from High Yield Bond funds since last month.*



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