

The Alternate Opinion

Quantitative & Alternates

Global Liquidity Tracker: Historic high outflow from India ETFs from US based funds; India Long-only flows still not impacted much

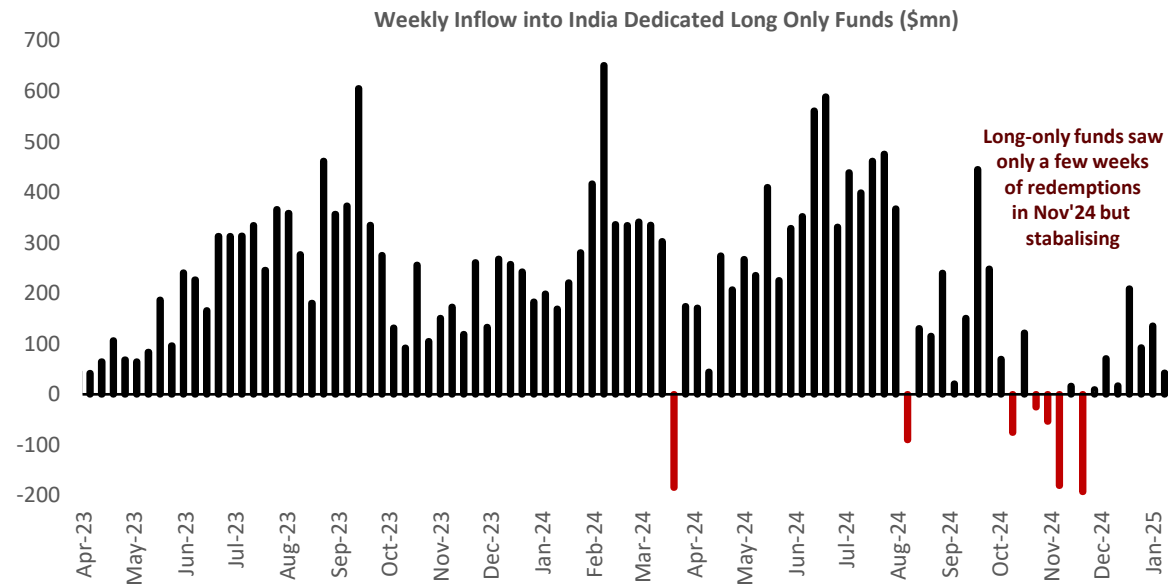
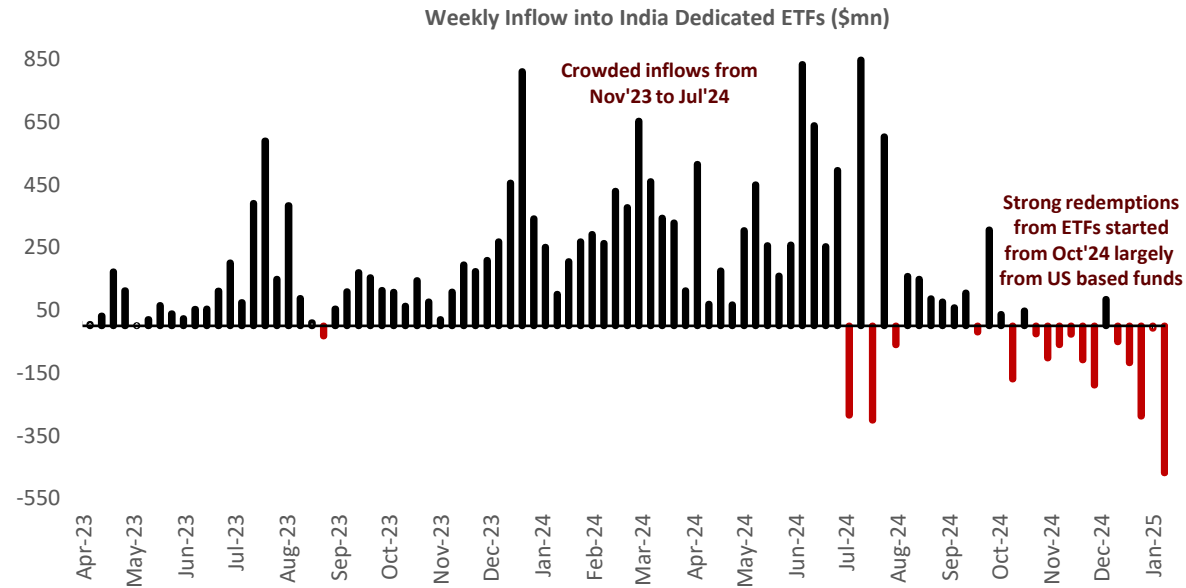
Historic high outflow from India ETFs from US based funds; India Long-only flows still not impacted much

Foreign flows continued to move into the US markets since Oct'24, with another 8-week large inflow of \$12.4bn. This week's inflow is 50% higher v/s average weekly inflow of \$8bn since Oct'24. Most of this is at the cost of EMs. *The overall liquidity situation for US market remains strong. It will be important to see any changes in the trend once Trump resumes office on 20th Jan.* Funds mandated to invest into Global equities (DMs+EMs) saw 3-year large inflow of \$11bn.

Among the regions facing the brunt of this dollar carry reversal trade- India, China, S.Korea, Taiwan, Brazil and Mexico were at the forefront. *However, since the last 2 weeks pressure in China, S.Korea, Mexico has been coming down but unwind pressure remained strong in India, Taiwan and Brazil.*

India funds saw largest redemption since Mar'22 of \$616mn. *Interestingly such large redemption in a single week in past have created a trading bottom for markets (highlighted in the next slide). However, they have also been indicators of a dent in longer term trend in flows.* India dedicated funds also saw largest outflow since Mar'22 of \$426mn. All outflows were from ETFs (\$469mn) while Long-only funds saw small inflow of \$42mn. In fact, this round of foreign fund outflows from India is dominated by ETFs. Long-only funds saw initial outflow (post Trump victory) but flows quickly stabilised. Since Oct'22, India ETFs have seen redemption of \$1.5bn while Long-only funds have seen small inflow of \$90mn.

India's outflows this week were again from US domiciled funds; *Redemptions of \$495mn in a single week from US funds are largest in history.* India flows from Japan are marginally negative since Nov'24. Luxemburg is the only region from where flows into India are still consistently positive.

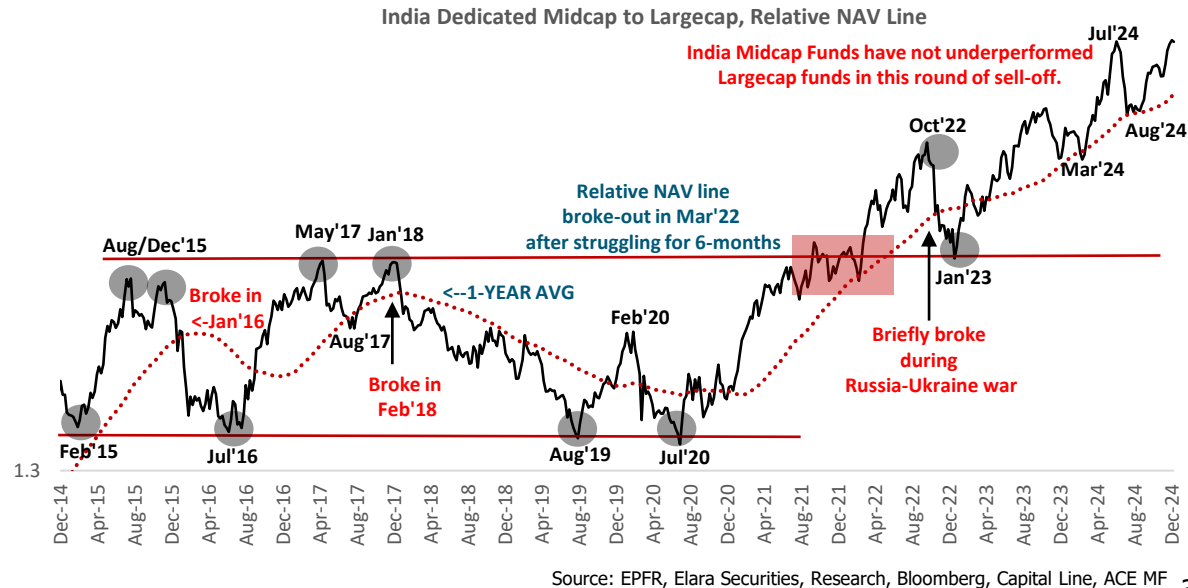
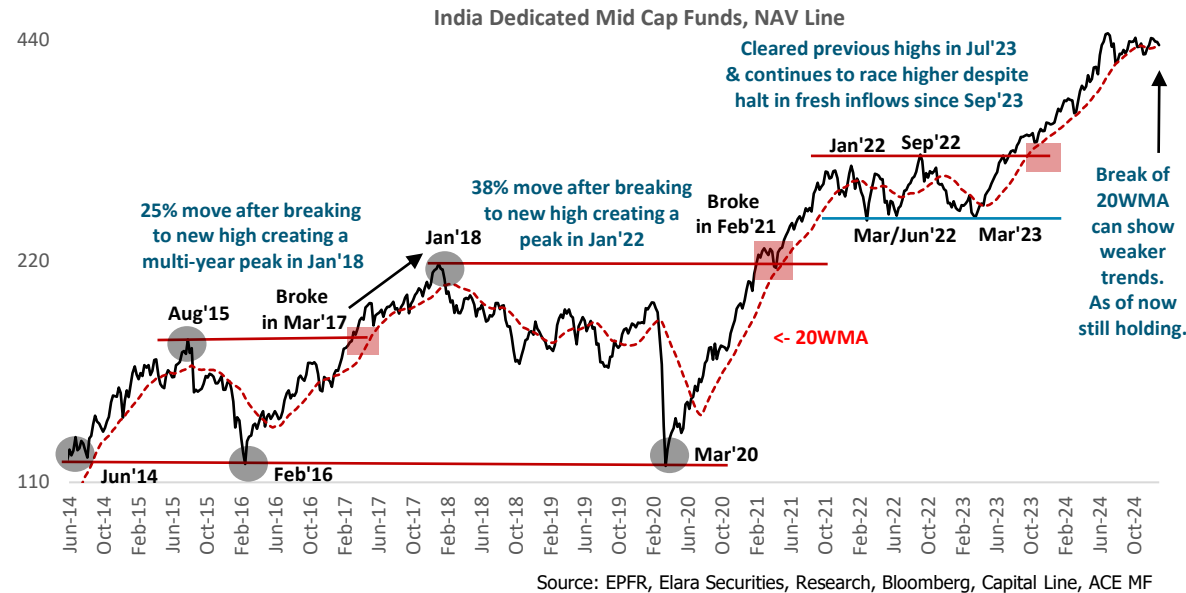


Extreme redemptions periods mostly followed by short term recovery; Midcap NAV still negotiating support

Despite the correction in market, NAV line of India dedicated Midcap funds is still negotiating a strong support. *Relative NAV line of Midcap to Large Funds is trading closer to highs since this leg of correction has been largely on back of redemptions from ETFs.*

The table below highlights the period where India funds saw extreme redemption pressure. It also shows the maximum rally and maximum correction from that period over the following 3-months. *Interestingly we have always seen one leg of strong recovery from there.* Only in 2008 and 2020, the drawdown was strong since they were marked with extreme panic.

Week Ended	India Flows in the week (\$mn)	Nifty	Maximum rally over next 3-months	Maximum correction in next 3-months
24-May-06	-807	3,116	8%	-15%
07-Mar-07	-1,053	3,627	18%	-1%
22-Aug-07	-599	4,153	43%	-1%
23-Jan-08	-1,354	5,203	5%	-13%
02-Jul-08	-503	4,093	13%	-7%
02-Feb-11	-686	5,432	9%	-4%
10-Aug-11	-771	5,161	4%	-8%
29-Jan-14	-568	6,120	12%	-2%
17-Dec-14	-551	8,030	12%	0%
26-Aug-15	-1,383	7,792	6%	-3%
16-Nov-16	-822	8,112	9%	-3%
20-Jun-18	-628	10,772	9%	-2%
07-Aug-19	-680	10,856	10%	-1%
04-Mar-20	-1,040	11,251	0%	-32%
18-Mar-20	-1,245	8,469	20%	-10%
15-Dec-21	-729	17,221	6%	-8%
09-Mar-22	-727	16,345	10%	-3%
22-Jun-22	-515	15,413	17%	0%
30-Oct-24	-501	24,341	2%	-4%
20-Nov-24	-569	23,519	5%	-1%



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