

The Alternate Opinion

Quantitative & Alternates

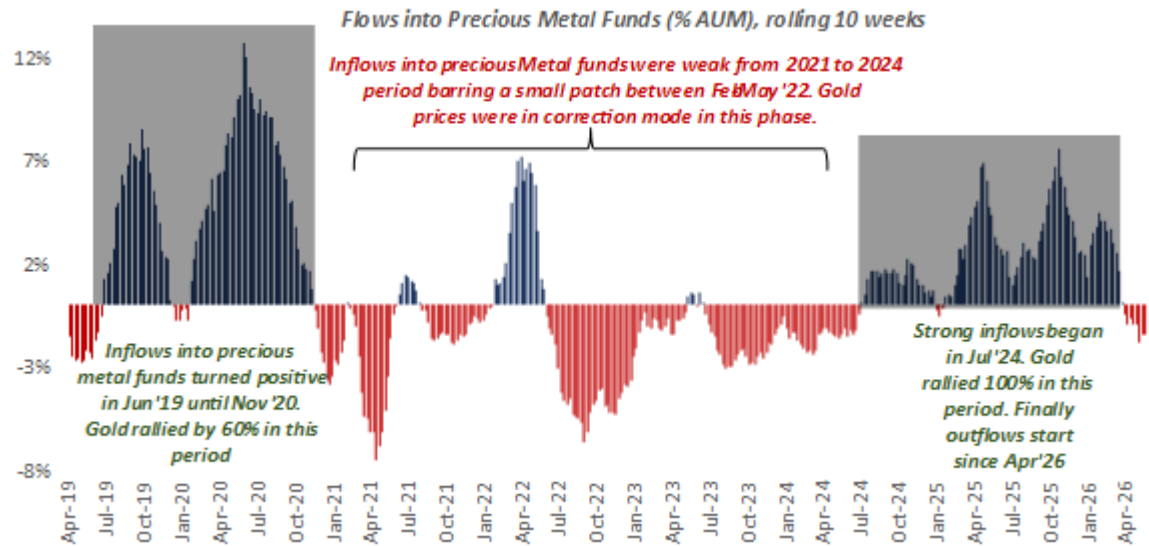
Global Liquidity Tracker: AI and Commodity trades show early signs of exhaustion. India outflows moderate as global rotation slows

AI and Commodity trades show early signs of exhaustion. India outflows moderate as global rotation slows

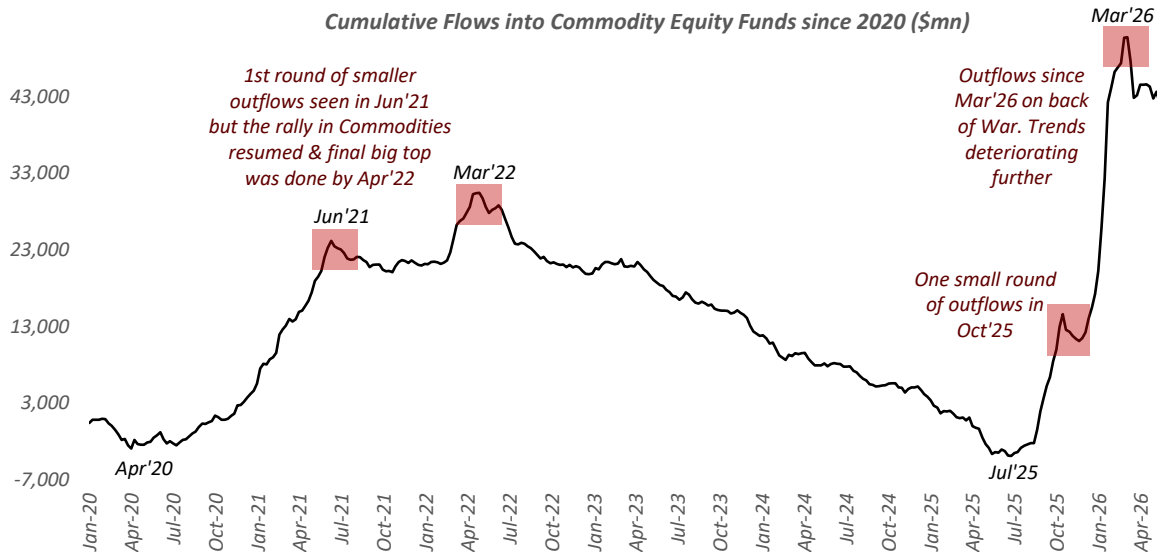
Macro concerns continue to weigh on EMs with 6th week of outflow. Another \$8bn redeemed this week following 15-week large outflow of \$24.4bn last week. The bulk of the pressure continues to originate from China-dedicated domestic funds, which have seen redemptions of ~\$79bn since Apr'26. Importantly, GEM funds also recorded 3rd week of outflows (-\$738mn), after 8-week large outflow of \$2.6bn in last week. *The pressure is largely concentrated in long-only strategies, while ETF remain mildly positive. This suggests that broad risk appetite is weakening but passive allocations have not reversed yet.*

Since Apr'25, foreign flows had rotated toward S.Korea & Taiwan to play the AI trade, and Brazil on back of commodity rally, largely at the expense of India and partially China. We are now seeing the first sign of that leadership cycle slowing. S.Korea was the first to reverse, witnessing record \$1.3bn outflow 3-weeks ago followed by \$587mn this week. Taiwan has also started seeing slower outflows, while Brazil recorded its largest redemption since Dec'24 (\$230mn) this week. Although still early, the flow momentum that dominated since Apr'25 is beginning to lose strength. India flows remain weak, but pace of redemptions has moderated over the past few months. India outflows slowed to \$702mn in May from \$1.5bn in April and a historic \$3.5bn in March. Importantly, India-focused fund flows have stabilised over the last two weeks after 11 weeks of outflows totaling ~\$6bn. While long-only funds continue to witness pressure, ETF inflows are offsetting a large part of the selling. Japan flows into India saw record outflow of \$150mn.

Precious metal flows have turned negative since Apr'26 for the first time in 2-years, with cumulative outflows of \$3.2bn over the past four weeks. Commodity equity funds are witnessing a sharper reversal in momentum, recording another \$1.5bn outflow this week and cumulative redemptions of \$8.6bn since Mar'26. Indications are that the commodity flow cycle may now be entering a consolidation or reversal phase.



Source: EPFR, Elara Securities, Research, Bloomberg, Capital Line, ACE MF



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