

The Alternate Opinion

Quantitative & Alternates

Global Liquidity Tracker: China fund's outperformance over India sharpest since Mar'23. US smallcap inflows expand to 20-month high

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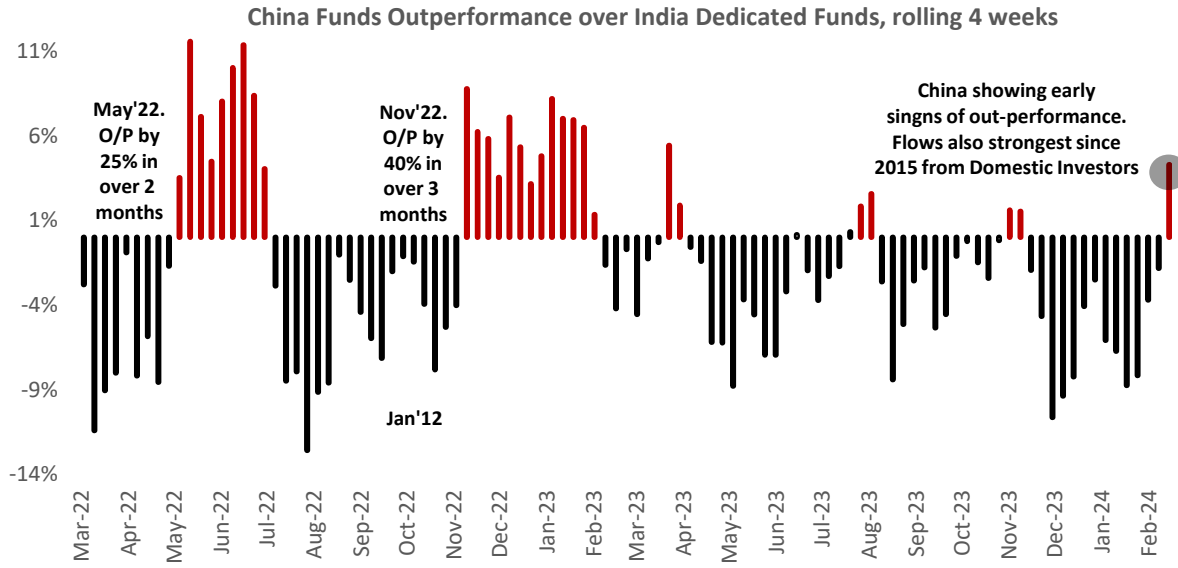
Overall global liquidity situation continues to remain benign with most markets witnessing strong domestic flows. **Countries where both domestic and foreign inflows are strong include- US, Japan and India.** On the other hand, China is witnessing strong domestic inflows, but foreign flows are still weak. Over the past month, the pace of inflows by domestic investors into Chinese equity is strongest since 2015.

Finally, China funds have started showing strong outperformance over India funds. **Similar outperformance was seen in May'22 after which we saw a round chasing into this trade. Likewise, the 2nd big leg was from Nov'22 to Feb'23 (O/P of 40%).** With the strong domestic flows and beginning of outperformance, will be key to see if foreign flows start shifting there. No signs of this trade as of now. China saw another \$268mn outflows from Foreign funds. On the other hand, domestic inflows of another \$2.9bn this week.

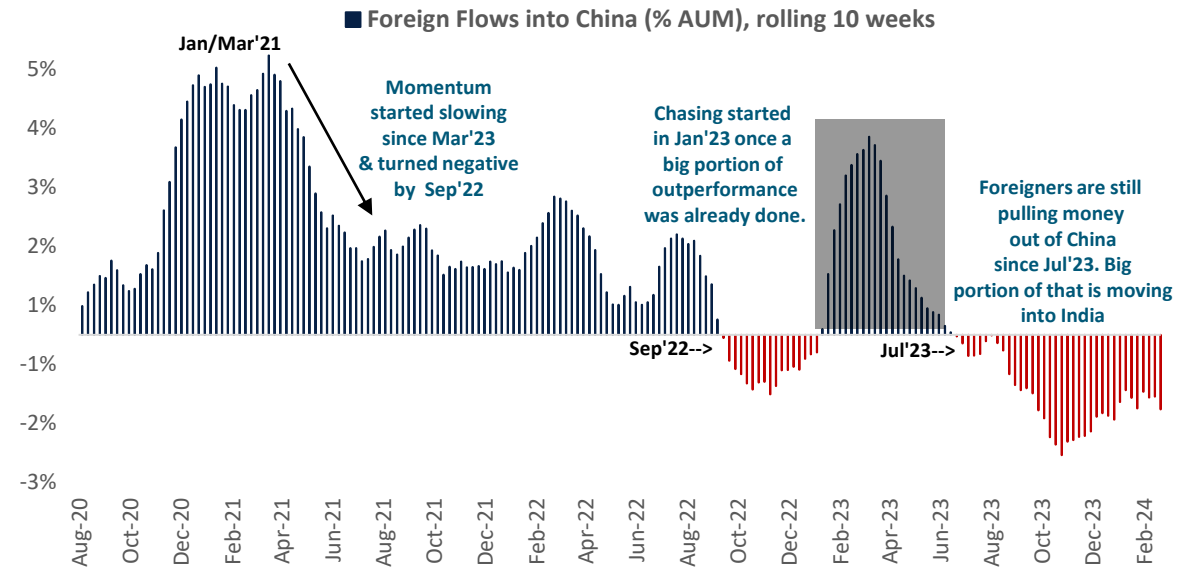
US funds witness another \$12.1bn inflows this week. **US Smallcap flows at 20-month high of \$5bn.** US smallcap flows are showing strong revival since Nov'23. Inflows into Japan funds for 6th week in row totalling \$4.7bn. Out of this, \$2.1bn were from Foreign funds.

49th straight week of inflows into India dedicated funds. \$712mn inflows this week after \$766mn in previous week. Large cap funds continued to see biggest portion of this flows (\$631mn). Some revival also seen in Small cap funds where a total \$280mn have come in the past 9-months. India flows continue to be strongest from US investors (\$215mn) followed by Ireland (\$177mn) & Japan (\$124mn) investors.

Global Junk bond flows remain strong with inflows in 16 out of 17 weeks. **US Junk bond spread over US 10-year continues to drop sharply & currently at 3.5%, lowest since Apr'22.**



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



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