

# The Alternate Opinion

Quantitative & Alternates

Global Liquidity Tracker: 8-year large inflow by domestic investors into China. Foreign flows into India Smallcap funds expand sharply

**8-year large inflow by domestic investors into China. Foreign flows into India Smallcap funds expand sharply**

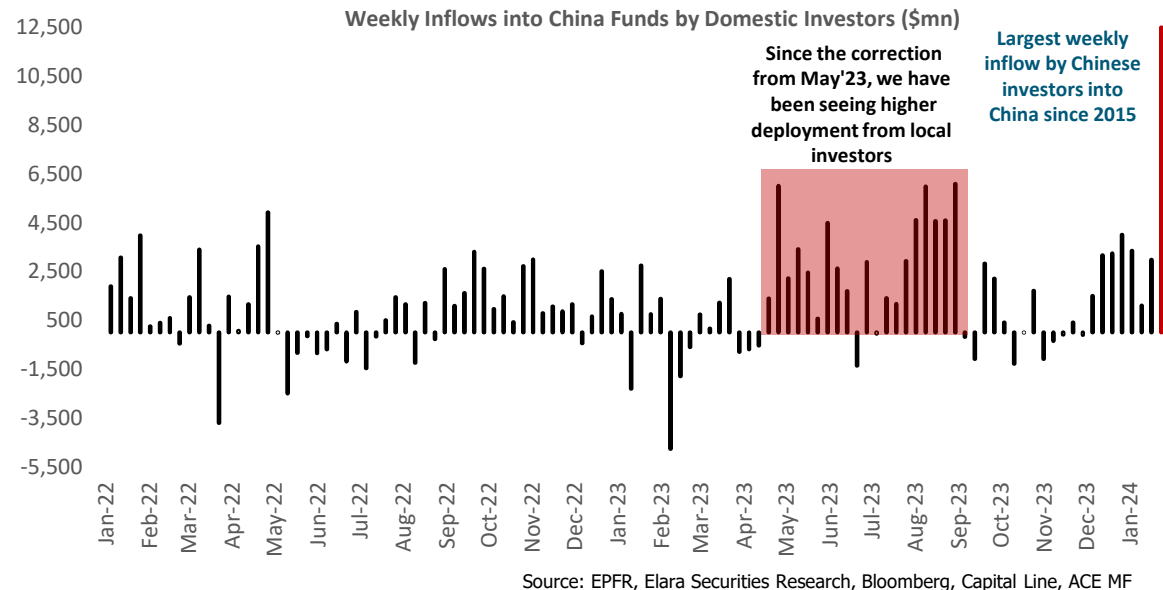
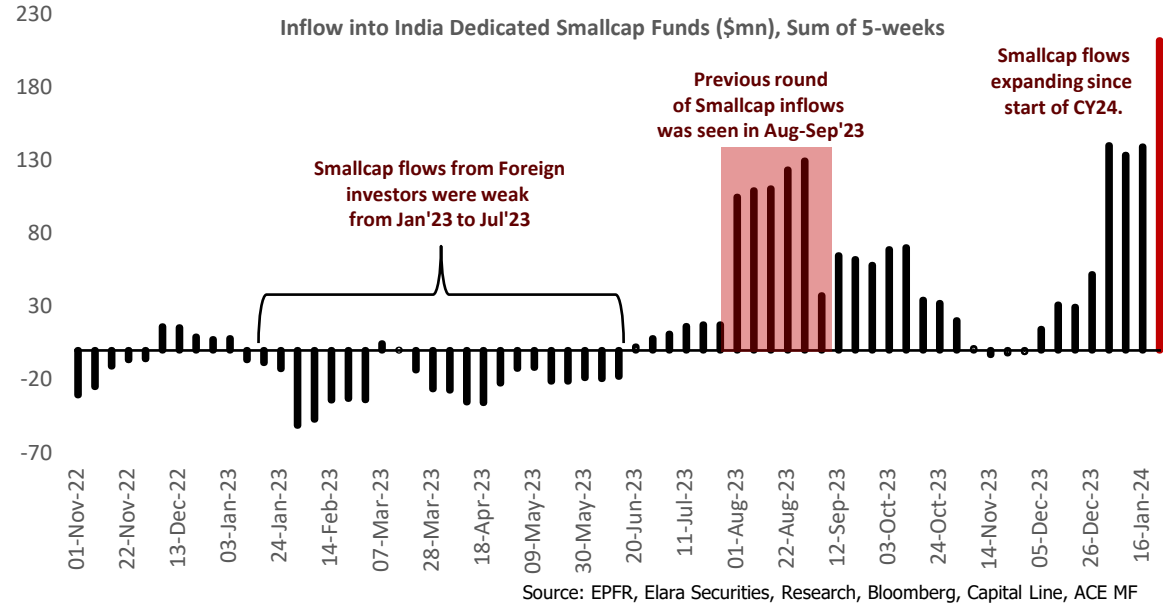
Largest inflows since 2015 of \$12bn seen in Chinese equities by domestic investors. Flows from domestic investors (Chinese investors) in China have remained positive through-out the correction which began in CY2022. However, the weekly pace of inflow was between \$1.2-\$1.5bn which expanded to 8-years high of \$12bn in the previous week. Foreigners have been exiting China since Aug'23 and shifting a big portion of that liquidity into India. Inflow in China was across sectors but largely into Industrials, IT, Staples and Discretionary.

Overall Global liquidity situation remains benign. US liquidity has been slower since past 4-weeks as S&P Index continues to hover around its previous all-time high level. EM liquidity remains strong with majority of markets witnessing strong inflows from domestic investors. Foreign flows continue to chase India, Japan and US markets.

Global investors continue to pour money into India; another inflow of \$549mn into India dedicated funds, led by large cap funds. Out of this inflow, \$120mn was from US investors and \$145mn from Japan investors. Importantly, we are seeing momentum of inflows sharply expanding into India dedicated Smallcap funds. There was a round of inflows in these funds in Aug-Sep'23 period. However, the recent momentum in small cap stocks has led to another round of bigger inflow from Foreign investors. In the past 5 weeks, \$212mn have come into India Smallcap funds.

Among Global sectors, IT flows remain strongest. Global Financial flows again recover after 2 weeks of slowdown. Industrials also continue to witness inflows.

Recovery in Global Bonds, largely High yield bonds continue. Junk spreads have further dropped to 21-month low of 3.6% indicating continued revival in risk-on sentiments.



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