

The Alternate Opinion

Quantitative & Alternates

Global Liquidity Tracker: India is 2nd largest recipient of Foreign flows in CY23. Big shift out of China into India in 2nd half

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India was in limelight among Global investors throughout CY2023. It was one of the biggest recipients of Global liquidity. \$15bn was deployed by Global MFs into Indian equities (all into dedicated funds). **Until Sep'23, inflows were stronger into Midcap funds, taking almost 40% of total India inflows. However, over the past 3-months, all foreign MF inflows into India remain large cap focused.** In CY23- US, India & Japan have been biggest recipient of foreign flows. Outflows were seen across Europe. Barring India and US, foreign flows have already turned weak for most countries in 2nd half of CY23.

Strong inflows into India dedicated funds continue over the past 3-weeks. This week, inflows of \$270mn after \$450mn & \$524mn in the previous 2 weeks, respectively. Again, almost all inflows continue to move into Large cap funds. Most incremental flows since Dec'23 into India have been from US domiciled funds. **Foreign flows into China have remained weak in CY2023 with big redemptions beginning in the 2nd half. A big portion of this liquidity has moved to India.** In CY23, the NAV of India has risen by 21% while China is down 16%.

Among Global sectors, largest inflows in CY23 have gone to IT followed by Consumer Staples & Industrials. Energy and Utilities saw net outflows. Financials & Consumer Discretionary flows were inline average.

Strong recovery in Global Bond flows continue. This week's inflow of \$14bn was largest since Apr'23. Strong recovery in Global Corporate bond flows continued. **High Yield bonds also witnessing strong inflows since past 3-months. First time since Dec'20 (post COVID panic), the high yield bond spread over US-10 year has dropped below 4%.** In past, this has been a sign of risk-on trade globally for some time.

Foreign Flows in CY2023 (In \$mn)

Country	CY2023	1st Half CY23	2nd Half CY23
USA	29,239	-4,370	33,609
India	14,575	6,941	7,634
Japan	7,177	8,415	-1,238
Hong Kong	5,661	4,518	1,143
China	4,187	20,132	-15,945
Brazil	1,774	1,957	-183
Mexico	1,329	1,359	-30
Sweden	-1,515	-483	-1,032
Taiwan	-1,602	3,906	-5,509
Italy	-1,774	67	-1,841
Netherlands	-1,999	704	-2,703
Switzerland	-2,285	609	-2,894
France	-4,169	1,983	-6,152
United Kingdom	-4,369	1,467	-5,837
Germany	-4,991	45	-5,037

India Flows (SEBI data) (In \$mn)

CY	FII Flows	DII Flows
2009	17,469	5,427
2010	29,143	-4,685
2011	-793	5,917
2012	23,874	-10,503
2013	18,674	-12,329
2014	16,005	-4,985
2015	2,843	10,463
2016	2,799	5,531
2017	8,186	14,061
2018	-4,933	15,793
2019	14,247	6,000
2020	23,155	-4,845
2021	3,476	12,759
2022	-15,806	34,812
2023	21,381	22,322

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

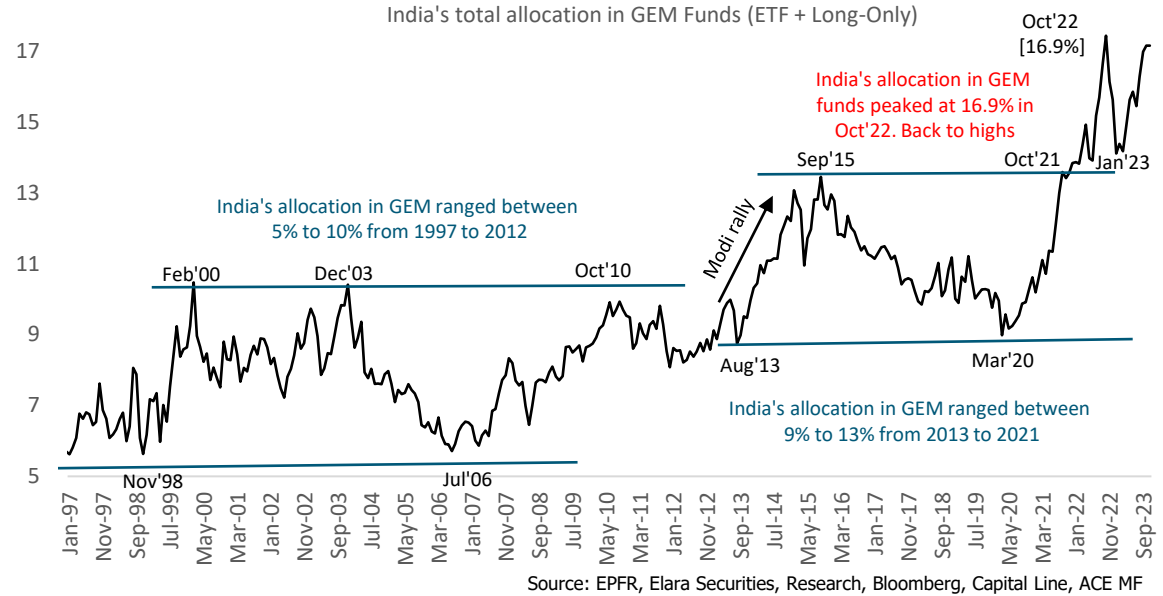
India Flow Break-up in CY2023	Flows (\$mn)
Total India Flows	14,574
Through Dedicated Funds	15,463
Through Allocation Funds	-888
Total India Dedicated Flow	15,463
Through ETFs	6,662
Through Long Only Funds	8,801
Total India Dedicated Flow	15,463
In Largecap Funds	11,635
In Midcap Funds	3,256
In Smallcap Funds	168

India Dedicated Flow Domicile (CY2023)	Flows (\$mn)
Total India Dedicated Flow	15,463
Japan	4,238
USA	4,181
Lux	2,915
Ireland	2,523
Mauritius	573
Korea (South)	323
United Kingdom	290
France	190
Hong Kong	111
Australia	50
Thailand	27

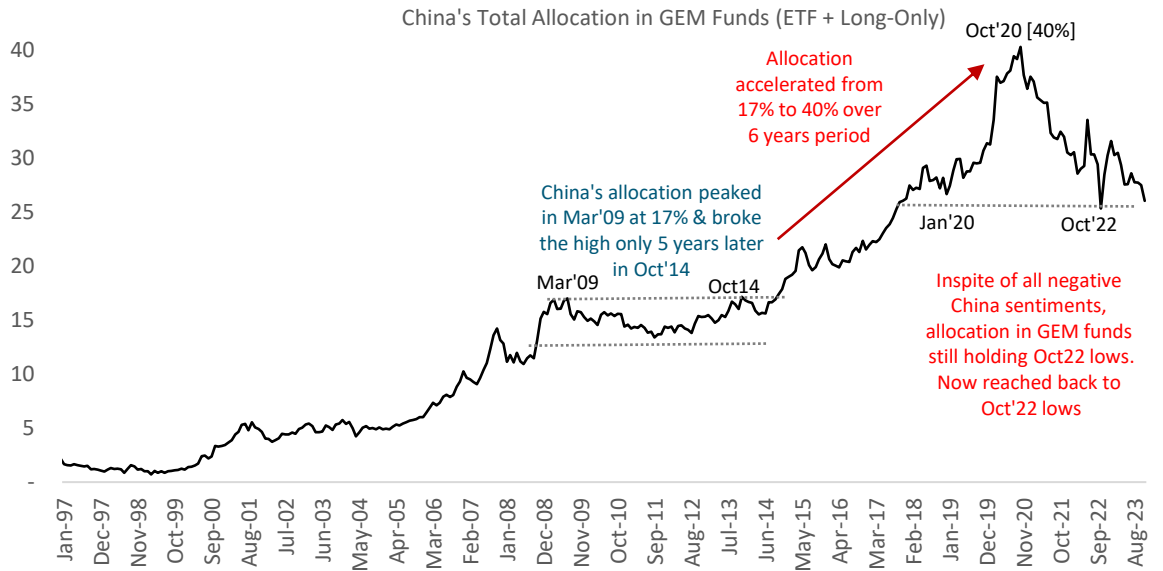
Source: EPFR, Elara Securities Research, Bloomberg, Capital Line, ACE MF

India's allocation in GEM funds reach back to Oct'22 highs. Similarly, China's allocation drop to Oct'22 lows

India's allocation in GEM funds has reached back to previous high of 16.9% seen in Oct'22. This is also historic high allocation. It will be crucial to see whether FIIs continue increase allocation to India from hereon.



Likewise, China's allocation in GEM funds has dropped back to Oct'22 lows of 25.3%. The allocation discount of India over China has also reached closer to 30% zone which has been the least discount since 2008.



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