

The background of the slide is an abstract, flowing blue liquid or smoke-like pattern. A thick, dark blue line curves from the top left towards the center, while lighter, more ethereal blue wisps swirl around it, creating a sense of movement and depth.

# The Alternate Opinion

Quantitative & Alternates

Global Liquidity Tracker: Historic high US inflow as money aggressively moving into Dollar Assets; GEM redemptions at 3-year high.

## Historic high US inflow as money aggressively moving into Dollar Assets; GEM redemptions at 3-year high.

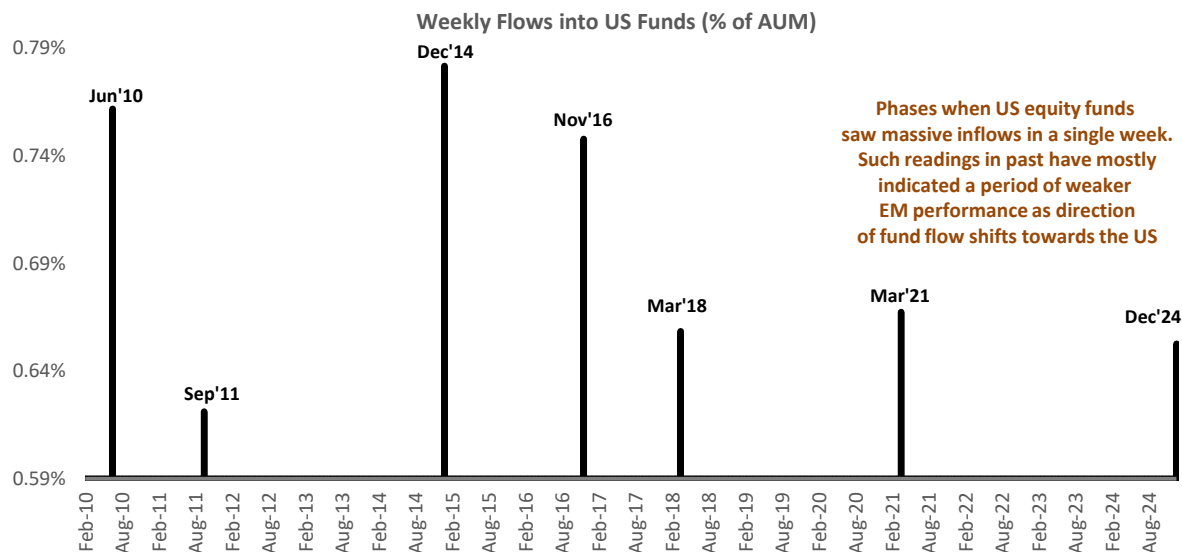
*Flight of capital into US continues with historic high inflow of \$82bn this week. In terms of % of AUM, flows are strongest since Mar'18 and Mar'21 period.* There is a strong shift of liquidity back into dollar assets. In most cases in history, such moves were followed by weaker returns in India (and some EMs too). US Large cap funds saw inflows of \$78bn, Midcap of \$2.7bn and Small cap of \$3.3bn. US Smallcap funds are seeing strongest phase of inflow since Nov'20 (post COVID period). *This also is a risk factor for Small and Midcap flows for India and other EMs as breadth in US is reviving after many years.*

GEM funds saw another 3-year large outflow of \$2.9bn. AXJ funds also saw outflow of \$1.6bn. Overall EM funds saw outflow of \$4.7bn. On 10-week rolling basis, this round of EM redemption is strongest since Feb'20 period. Foreigners continued to pull out money from almost all geographies. *Once again, 39/41 countries (EM + DM) saw outflows from foreigners which moved into the US.*

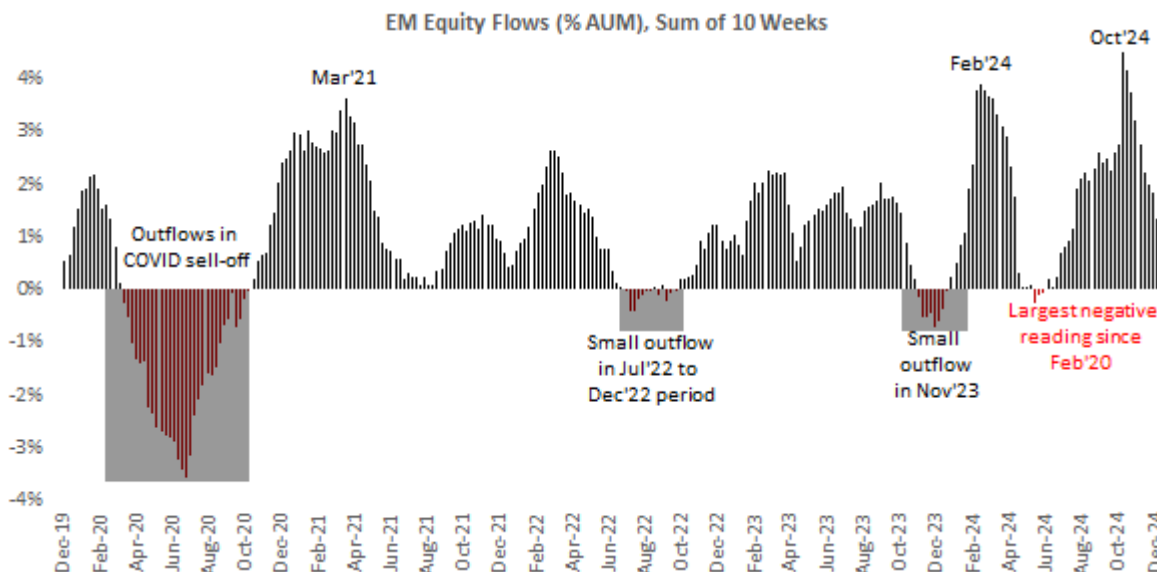
Among EMs, largest outflow was from China (\$1.9bn), S.Korea (\$693mn), Taiwan (\$684mn), India (\$440mn) and Brazil (\$424mn). Within DMs, Japan saw 3-month large outflow of \$680mn while outflow from UK spiked to 1-year high of \$1.2bn. *France, Germany, Switzerland, Netherlands, Sweden, Denmark, Italy all saw largest redemption in atleast 2-3 years.*

*Pressure on India continues to be from allocation-based flows while dedicated fund flow remained soft.* India saw outflow of \$440mn this week out of which dedicated funds saw small inflow of \$90mn. *However, within dedicated funds, Small cap funds saw all time high outflow of \$70mn & Midcap funds saw outflow of another \$70mn.*

Among Sectors, largest US inflow was in IT (\$23bn) followed by Financials (\$10bn), Consumer Discretionary (\$9bn) & Healthcare (\$9bn).



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



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