

The Alternate Opinion

Quantitative & Alternates

Global Liquidity Tracker: US Growth outperformance (v/s Value) back to 2020 highs. Inflows from Japanese funds continue into India

US Growth outperformance (v/s Value) back to 2020 highs. Inflows from Japanese funds continue into India

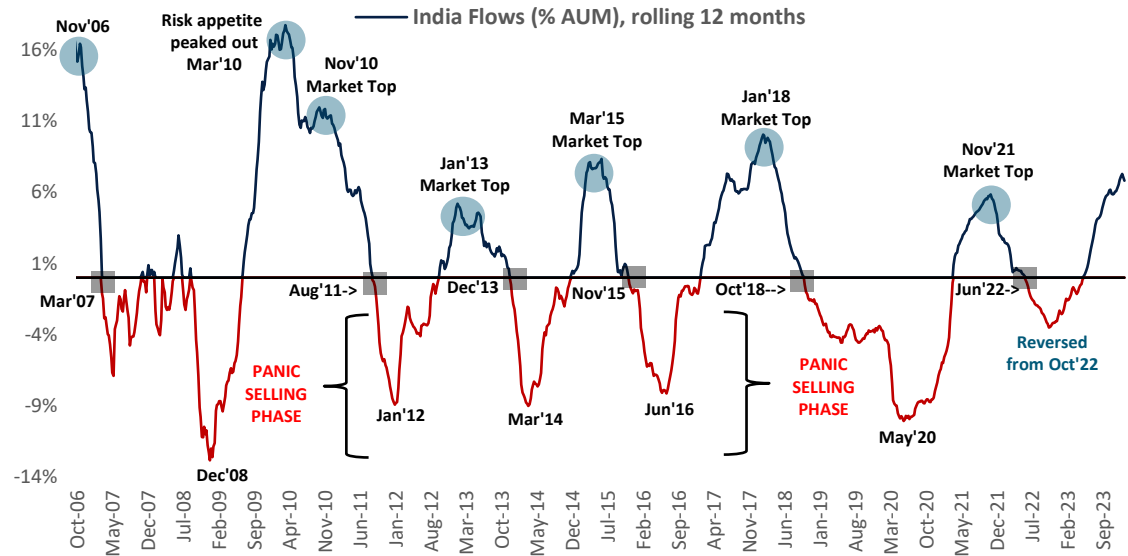
Global investors continue to pour money into India since Jan 2023 with no signs of slowdown. Another inflow of \$426mn this week into India dedicated funds, led by large cap funds. Out of this inflow, \$120mn was from US investors and \$125mn from Japan investors. Since CY23, inflows into India remain stronger in Long-only funds compared to ETFs. **Rolling 12-months inflow into India has started surpassing Nov'21 highs (around Russia-Ukraine war). The momentum still remains strong.**

US equity flows have slowed down a bit over the past 2 weeks as markets reach back to their all-time high level of 2022. Outflows of \$4.5bn were seen this week after \$9.2bn outflows last week. Most of these outflows are from Value funds. Rather Value trade in US had already peaked in Jan'23, from where we saw a big underperformance. In EMS, trends still remain in favour of Value over Growth. EM Growth to Value ratio has dropped to 2020 lows while US Growth to Value ratio has reached 2020 highs.

Foreigners started moving out of China since May'23. However domestic investors in China continue to invest into mutual funds. **Revival of foreign inflows into China can be one leading indicator of slowdown of flows for India.**

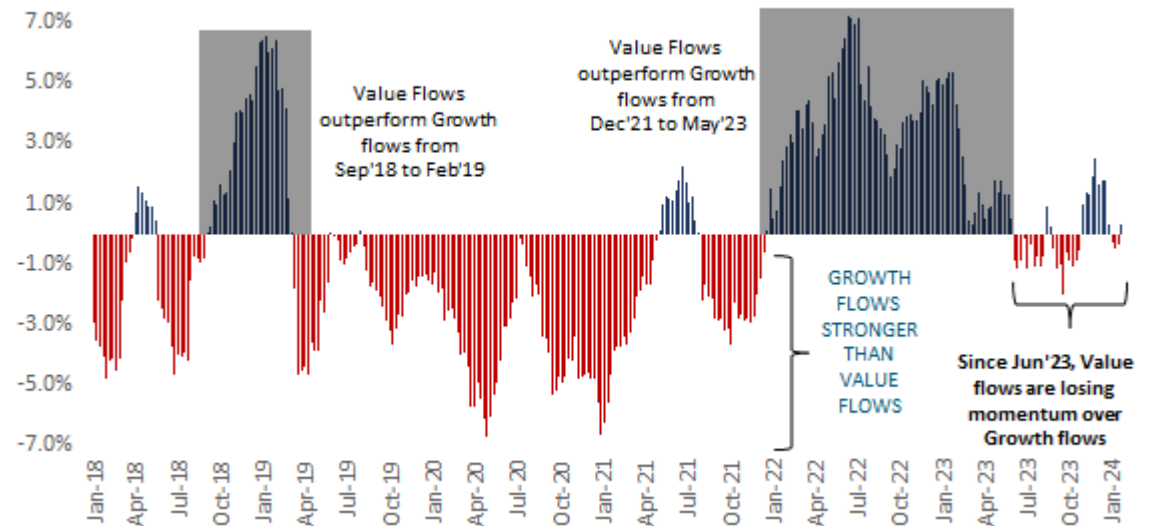
Among sectors, IT flows continue to remain strongest. **We saw a few weeks of revival in Global Financial flows but that has again slowed down.** Industrials also continue to witness inflows. Trend in Healthcare flows remain strong but slowed since past 2 weeks.

Strong recovery in Global Bond flows continue. This week, another 10-month large inflow of \$14bn. Recovery also seen in Global Corporate bond flows. **High Yield bonds also witnessing strong inflows since the past 3-months.**



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

EM- Value over Growth Flows (% AUM), rolling 10 weeks



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

US, Growth v/s Value Performance. Growth outperformance v/s Value back to 2020 highs



In the US markets, Growth started outperforming Value since Jan'23. The relative ratio of Growth over Value has reached back to 2020/2021 highs. **If the ratio breaks-out, it would mean resumption of bigger Growth outperformance after a pause of 3-years. Reversal could indicate a correction in the US markets led by Growth stocks, similar to what we saw since Nov'21.**

EM, Growth v/s Value Performance. Growth outperformance v/s Value reach 2020 lows



EM trend is completely reverse of US. EM Growth to Value ratio has reached back to 2020 lows. **The big underperformance of EM Growth investor was from Nov'20 to Mar'22. From there, the trend is still drifting down (in favour of Value) but the impact at index level is slower as smaller Value stocks have started outperforming.**

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