

The Alternate Opinion

Quantitative & Alternates

Global Liquidity Tracker: Geopolitical concerns trigger 2nd week of outflows but momentum slow. India Midcap flow momentum reversing

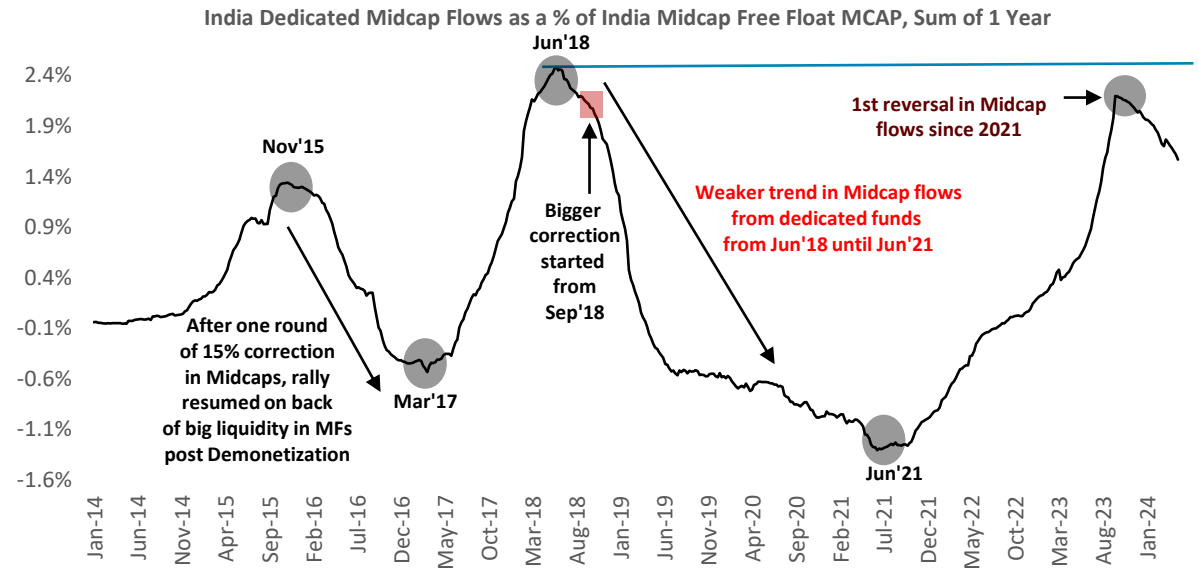
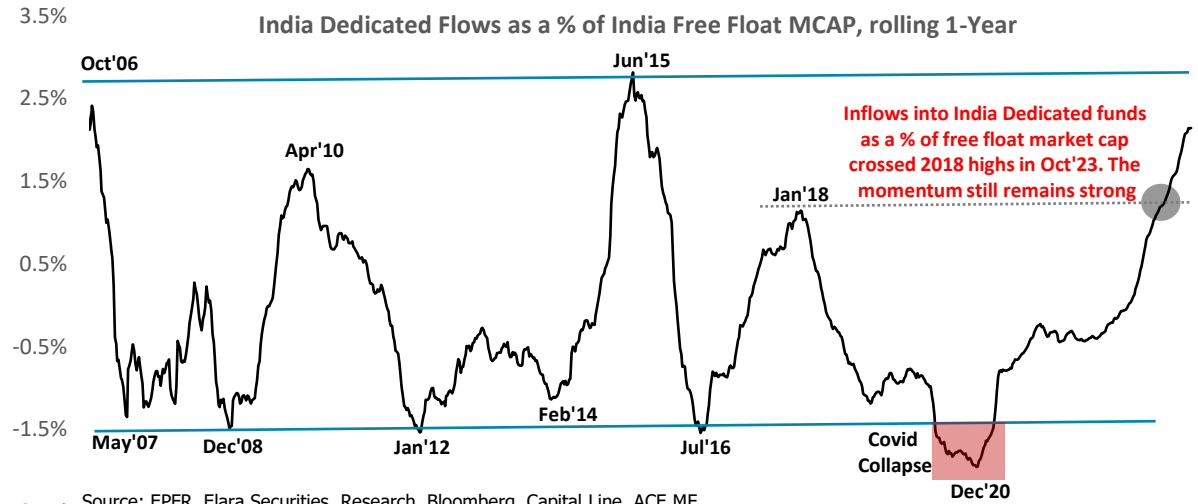
Geopolitical concerns trigger 2nd week of outflows but momentum slow. India Midcap flow momentum reversing

The escalation in Iran- Israel war situation has resulted in 2nd week of outflows from Global equities. **However, the quantum of outflows is still very small.** Global equities saw redemption of \$9bn this week, much slower than outflows of \$20bn in the previous week. EM flows were impacted more with 6-month large outflow of \$2.1bn v/s \$1.8bn outflows in the previous week. Most EM redemptions were from GEM funds. Among country flows- China, Korea & Brazil saw biggest outflows.

Inflows into India dedicated funds continued for straight 57th week but momentum over last few months have completely shifted towards Large cap funds. India dedicated funds saw inflows of \$450mn this week and has been averaging around \$550mn since past 4-months. **However, the tilt of India flows has started shifting more towards ETFs (largely benchmarked to MSCI India index) from Long-only funds.** In the past 2-months, India dedicated ETFs saw inflows of \$2.7bn while Long-only funds saw inflows of \$1.5bn.

India Midcap flows from Foreign MFs have been sharply slowing since Oct'23; the long-term liquidity indicator is reversing for first time since Jun'18. Domestic flows in SMID space will be crucial to watch from here to understand trends in side markets. **Domestic MF flows in SMID space has already began slowing down but Direct Retail inflows still remain strong.** India Large cap flow momentum (as a % of free float market cap) remains strong.

Global risk appetite as measured by High Yield & Corporate bond funds is showing some signs of reversing after 5-months. Global High Yield & Corporate bonds saw 6-month large outflow of \$2.4bn and \$4bn respectively. High yield bond spread has shown strongest expansion since Sep'23. **In past, consistent outflows from High-risk bond funds have been a leading indicator of break in Global risk-appetite.**



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