



iFlow Monthly

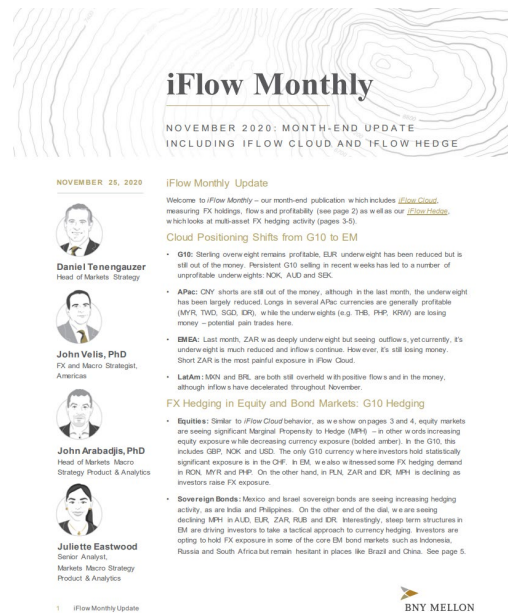
iFlow Monthly: November 2020

Attached is the November 2020 edition of our iFlow Monthly, including iFlow Cloud and iFlow Hedge.

Among the insights in this month's edition:

- CNY underweights have been reduced, although there are overweights in several APac currencies
- ZAR had been deeply underweight, but currently much less underheld and seeing inflows
- MXN and BRL are overheld with positive inflows, and positions are profitable

To see what flow behavior iFlow has observed this month, click on the thumbnail to the right.



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iFlow Monthly

NOVEMBER 2020: MONTH-END UPDATE
INCLUDING IFLOW CLOUD AND IFLOW HEDGE

iFlow Monthly Update

Welcome to iFlow Monthly – our month-end publication which includes [iFlow Cloud](#) measuring FX holdings, flows and profitability (see page 2) as well as our [iFlow Hedge](#) which looks at multi-asset FX hedging activity (pages 3-5).

Cloud Positioning Shifts from G10 to EM

- **G10:** Sterling overweight remains profitable, EUR underweight has been reduced but is still out of the money. Persistent G10 selling in recent weeks has led to a number of unprofitable underweights: NOK, AUD and SEK.
- **APac:** CNY shorts are still out of the money, although in the last month, the underweight has been largely reduced. Longs in several APac currencies are generally profitable (MYR, THB, SGD, IDR), while the underweights (e.g. THB, PHP, KRW) are losing money – potential pain tracks here.
- **EMEA:** Last month, ZAR was deeply underweight but seeing outflows, yet currently, it's underweight is much reduced and inflows continue. However, it's still losing money. Short ZAR is the most painful exposure in iFlow Cloud.
- **LatAm:** MXN and BRL are both still overheld with positive flows and in the money, although inflows have decelerated throughout November.

FX Hedging in Equity and Bond Markets: G10 Hedging

- **Equities:** Similar to iFlow Cloud behavior, as we show on pages 3 and 4, equity markets are seeing significant Marginal Propensity to Hedge (MPH) – in other words increasing equity exposure is like decreasing currency exposure (dotted amber). In the G10, this includes GBP, NOK, and USD. The only G10 currency where investors hold statistically significant exposure is in the CHF. In EM, we also witnessed some FX hedging demand in KRW, MYR and PHP. On the other hand, in PLN, ZAR and IDR, MPH is declining as investors raise FX exposure.
- **Sovereign Bonds:** Mexico and Israel sovereign bonds are seeing increasing hedging activity, as are India and Philippines. On the other end of the dial, we are seeing declining MPH in AUD, EUR, ZAR, RUB and IDR. Interestingly, steep term structures in EM are driving investors to take a tactical approach to currency hedging. Investors are opting to hold FX exposure in some of the core EM bond markets such as Indonesia, Russia and South Africa but remain hesitant in places like Brazil and China. See page 5.

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