



# iFlow

**MONTHLY**

December 2021

**Please find the latest edition of iFlow Monthly below.**

Attached is the December 2021 edition of our iFlow Monthly, including iFlow Cloud and iFlow Hedge.

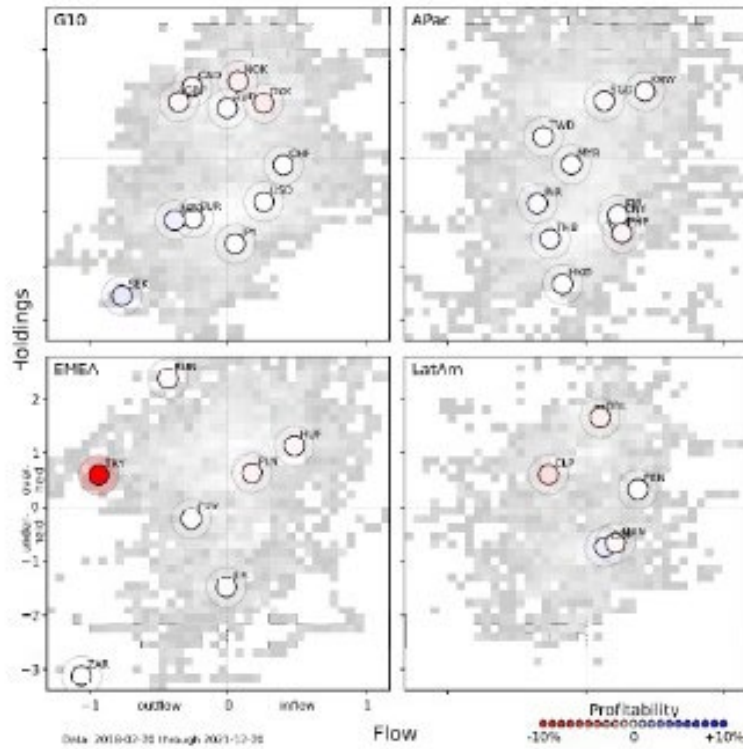
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To enlarge the charts, please click the image below.

### iFlow Cloud

December 20, 2021

Four quadrants: over/under held and in/out flow. Clouds denote distribution over the past 1,000 days for each currency. Blue/Red denote position profitability. SOURCE: BNY Mellon



Looking at iFlow Cloud, as of the end of December, compared to Q3, FX profitability flipped. By the end of Q3, a long commodity basket was registering large gains in overheld exposures such as NOK, RUB and ZAR.

Fast forward to the end of the year, holdings and profitability are now both in disarray as a result of Omicron uncertainty. With the exception of deep losses in overheld TRY exposures, iFlow Cloud shows a scattered picture of pale circles.

iFlow Cloud seems to be indicating a particularly interesting combination of currencies where investors are adding exposure from an underheld starting point. This suggests

longs in JPY, USD, CHF for G10 and long PHP, IDR and CNY in Asia, as well as long MXN and COP in LatAm, The ILS is just about to be breaking from outflow to inflow in EMEA.

iFlow Hedge estimates marginal propensity to hedge (MPH) in G10 sovereign bonds such as CAD, EUR and the USD. In LatAm, the bias is to keep currency exposure in BRL and COP sovereign debt. For EMEA, investors are hedging FX exposures in ILS and TRY. Asia is the region where investors are most likely to hedge currency exposure, particularly in CNY, IDR, INR and THB.

Our framework suggests that investors are less likely to hedge FX exposures in equity markets than in sovereign debt markets at the moment. While investors seek to hedge FX exposure in eleven sovereign debt markets, there are only four equity markets where investors MPH suggests a statistical meaningful propensity to hedge FX: PHP, INR, CNY and CHF.

Meanwhile, the most recent MPH changes in sovereign debt observed in our models have been to increase FX hedges in CAD but to lift hedges in JPY, PEN and KRW. .

In equities, the most recent signals of adding FX hedges were in CHF, CNY, INR and PHP. The framework shows investors lifting equity markets' FX hedges in KRW, IDR, TWD, ZAR, PEN, and NOK.

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