



Introducing iFlow EM

iFlow EM, the latest addition to our suite of iFlow Signals ([Carry](#), [Value](#), [Trend](#), [Green](#), [Hedge](#), [Cloud](#), [PnL](#)), introduces a methodology to project emerging market (EM) balance of payments (BoP) data.

In this whitepaper, we demonstrate iFlow's usefulness in capturing EM portfolio flows, which generally proxy official BoP information.

Among iFlow EM's observations, we see that China has captured an ever-growing share of the world's portfolio flows, even though 2020 saw most other EMs suffer from significant capital outflows. Our estimates suggest that EM will see a degree of catch-up this year, even as Chinese flows continue to increase.

To read a deep dive into iFlow EM, click on the thumbnail to the right.



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LEADING EM PORTFOLIO INDICATORS

iFlow Captures EM Portfolio Flows

Our iFlow data are a useful proxy for emerging market portfolio flows and are reported in a timely fashion. We propose a straightforward methodology to project EM balance of payments data. Our estimates suggest that China will continue to attract portfolio investment at a strong pace, while other regions should see some mean reversion after declines in 2020.

China Crowds Out, Rest of EM Mean Reverts

Toward a simple model of portfolio flows

BNY Mellon's iFlow data offers a near-real time look at real money portfolio flows across the world's FX, fixed income, and equity markets, on a country-by-country basis. In this whitepaper, we demonstrate iFlow's usefulness in capturing emerging market (EM) portfolio flows, which generally proxy official balance of payments (BoP) information.

In addition, we take advantage of this property in iFlow to estimate 2021 EM capital flows, given that iFlow data is available with a substantial lead time relative to the official data.

- **China Crowding Out:** China has captured an ever-growing share of the world's portfolio flows as its financial markets have deepened, developed and enjoyed strong demand. This is true even though 2020 saw most other EMs suffer from significant capital outflows.
- **Mean Reversion:** As mentioned above, most EM regions saw large portfolio outflows in 2020, a result of the pandemic. Our estimates suggest that EM will see a significant degree of catch-up this year, even as Chinese flows continue to increase.
- **Historically Low Flows Currently Reinforce Mean Reversion Theme:** With the exception of China, most EM portfolio flows through March 2021 are well below their historical norms and have ample room to catch up, as our estimates predict.

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