

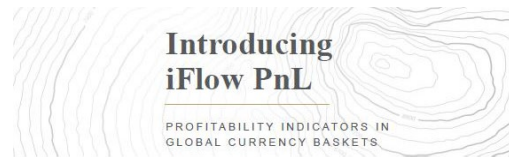


## Introducing iFlow PnL

iFlow PnL, the latest addition to our suite of iFlow Signals (**Carry, Value, Trend, Green, Hedge**), introduces a new set of indicators that characterize holdings and profitability of currency baskets by region and strategy.

Building on **iFlow Cloud**, which displayed three key metrics for individual currencies (flows, holdings and profitability), iFlow PnL, introduces a similar set of metrics, summarizing profitability and positioning across baskets of currencies, built around regional and thematic groupings to point out when holdings are extended.

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



JANUARY 21, 2021



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### Introducing iFlow PnL

PROFITABILITY INDICATORS IN GLOBAL CURRENCY BASKETS

In this paper, we build on our iFlow data and iFlow Cloud concept to introduce a new set of indicators we term iFlow PnL.

iFlow PnL characterizes holdings and profitability of currency baskets by region and tactical themes.

#### Holdings and Profitability for FX Themes

In May 2020, we introduced **iFlow Cloud**, which graphically displayed three key metrics for individual currencies: flows, holdings and profitability. This allowed us to spot and highlight opportunities and risks in currencies across those three dimensions.

In this note, we introduce a similar set of metrics, summarizing profitability and positioning across baskets of currencies, built around regional and thematic groupings.

iFlow PnL is designed to assist investors in easily highlighting current tendencies across sets of currencies, and pointing out when holdings are extended (long or short) and if those positions are in the money or out of the money.

In this paper, we discuss:

- **iFlow PnL Indicators:** We focus on profitability and holdings of currency baskets created across regional and thematic/strategic groupings. We discuss the motivation and intuition as well as construction of our indicators.
- **Currency Baskets:** We build nine sets – or baskets – of currencies. Four are built according to regions that correspond to our daily **iFlow Monitor**: G10, LatAm, EMEA and APAC. Five correspond to themes and subregions: FX Havens, High Beta Developed Market FX, Central and Eastern Europe, Commodity Currencies and Emerging Markets.
- **Proofs of Concept:** Using an 18-year sample, we show that higher beta exposures may only turn attractive once they are painful (i.e., incurring losses, while holdings turn positive).

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