

iFlow

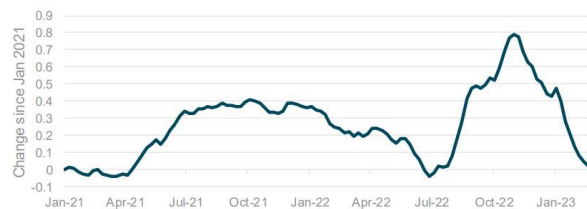
INVESTOR TRENDS

March 7, 2023

Conviction, Where art thou?

iFlow volumes indicate indecision among our institutional investor base. This squares with anecdotal evidence of a significant lack of conviction among global investors more broadly.

Investors seem reluctant to commit to large macro-themed trades ahead of many crosscurrents to come this year. Accordingly, high cash ratios continue to characterize global portfolios. We have identified the following trends based on custodial data covering over a fifth of the world's assets:



Cash still king. High risk-free rates is pushing higher levels of allocations into cash. In the US, domestic and cross-border investors have begun to reaccumulate holdings of front-end US fixed income. In Europe, allocations in Europe are heavily favouring Eurozone cash equivalents at the expense of equities, especially amongst international investors. Until cash Sharpe ratios drop, risk-seeking flows are unlikely to pick up.



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- **Institutional investors keeping to the sidelines.** The broad trend of selling in global equities, led by the US, shows no signs of reversing. However, there are pockets of investor interest in themes related to high inflation and "risk on" across some sectors in developed and emerging markets.
- **Money not where the mouth is.** Supposed consensus trades such as "China reopening," EM fixed income and rotation into value either received capacity or, with few exceptions, were never put on. Low FX volumes, cross-sector equity selling and front-end demand in fixed income all point to no connection to follow-through on initial waves.
- **Home comfort growing.** As another consequence of the strong recovery in risk-free and cash rates, cross-border flows are declining across all major markets. The exit from risk by cross-border investors is more forceful than domestic counterparts in the US and Eurozone.

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To access the full report, click on the image above, or [click here](#).

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