



BNY Mellon iFlow[®] Weekly

Samarjit Shankar, Managing Director, Head of iFlow and Quant Strategies

Jiangang Dou, Ph.D., CFA, Vice President, iFlow and Markets Quant Analyst

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30 March 2017

COMMENTARY

This week, we focus on select FX markets that reflect an interesting co-existence of risk-seeking and risk-aversion.

We begin with the greenback, which we believe remains delicately balanced. Despite the recent hawkish Fed speak (Eric Rosengren and John Williams both suggesting yesterday that there may be a need to raise rates more than currently envisaged), a slight back-up in Treasury yields, and above-consensus GDP and personal consumption revisions for 2016Q4 (as a result of which the ICE DXY index has broken above 100 from below 99 at the beginning of this week), our iFlow charts suggest the USD's slight recovery is tentative. Chart 1 shows there have been net outflows for 14 of the past 16 sessions, while the slope of the 1mma of our iFlow USD FX indicator remains negative for now (Chart 2).

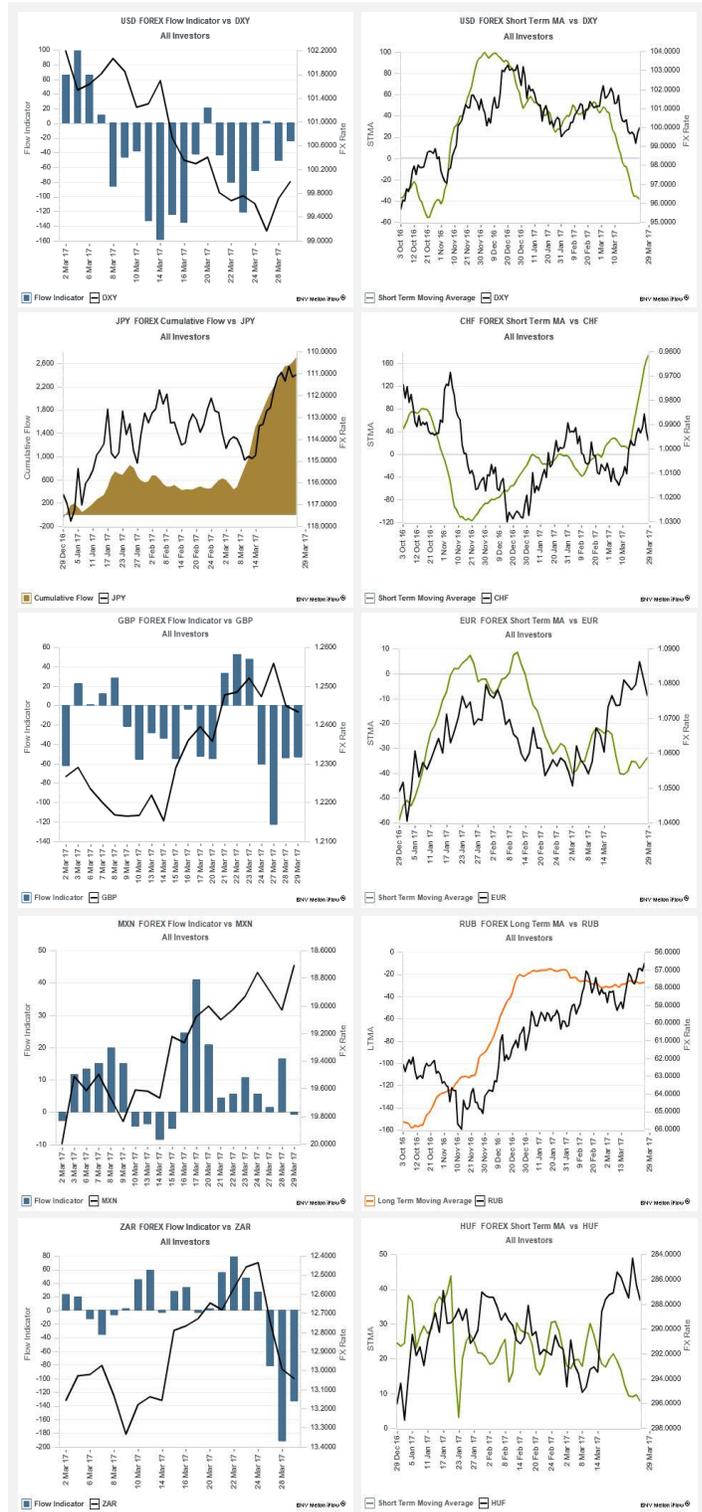
Meanwhile, we continue to see steady inflows into both major "safe-haven" G-10 currencies – Chart 3 shows cumulative JPY inflows have spiked in recent weeks while Chart 4 confirms the 1mma of our iFlow CHF FX indicator remains firmly northbound. As we wrote last week, there are ongoing uncertainties about the Eurozone election cycle (French election next month) and the path UK-EU negotiations will take now that Article 50 has been triggered for the Brexit process. It is interesting to note that modest GBP net selling has resumed after a brief bout of inflows last week (Chart 5), while the 1mma of our iFlow EUR FX flow indicator remains moribund (Chart 6) as a result of which the single currency has started giving up ground due to regional risks and weaker German inflation data.

At the same time, we find several instances of risk being taken on in emerging markets. For example, Chart 7 shows the Mexican peso has attracted reasonably steady buying in recent weeks that has enabled USD/MXN to break below the 19.0 level for the first time since early November. In a similar vein, Chart 8 shows strong net inflows into the Russian ruble since last October that have allowed USD/RUB to test 20-month lows.

Yet, as we have reported, the appetite for EM risk remains highly selective and tactical. Recent events in South Africa weighed on the ZAR earlier this week (see outflows in Chart 9), while other currencies such as the Hungarian forint remain on the defensive (Chart 10).

All said and done, we are at an interesting crossroads in the currency markets given the confluence of important policy decisions by major central banks and various economic, trade and political negotiations playing out. Against this backdrop, we will continue our analysis by looking at key bond and equity market flows next week to gather more insights on market-drivers and their FX impact.

samarjit.shankar@bnymellon.com



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iFLOW® iQ

In the signal grid below as of 29 March 2017 (compared to the previous week's signal grid as of 22 March), amongst G10 FX, AUD remains in its Long position opened on 10 March with about a 1.7% gain, CAD closed its Short position, EUR opened a Short position on 28 March which has gained about 0.4%, GBP changed to Short from Flat, JPY remains in its Long position opened on 21 March with about a 0.6% gain, NOK changed to Short from Flat, NZD remains in its Short position opened on 20 January with about a 1.9% gain, SEK remains in its Long position opened on 3 March with about a 1.3% gain, and others remain the same. In emerging markets, MXN remains in its Long position opened on 22 March with about a 1.7% gain, BRL remains in its Short position opened on 1 March with about a 0.8% gain, KRW closed its Long position opened on 3 March with about a 3% gain and reopened a Long position on 24 March which was then closed with about a 0.9% gain, SGD remains in its Long position opened on 7 March with about a 1.2% gain, TWD remains in its Long position opened on 16 March with about a 1.4% gain, INR remains in its Long position opened on 3 March with about a 2.8% gain, THB changed to Long from Flat, MYR closed its Short position with a small gain and opened a Long position on 23 March which has gained about 0.2%, IDR has closed its Short position with a small gain, PHP opened a Long position on 24 March which has gained about 0.2%, ZAR changed to Flat from Long, TRY closed its Short position and reopened a Short position on 27 March which has gained about 0.8%, PLN remains in its Long position opened on 20 March with about a 1.1% gain, COP opened a Long position on 23 March which was closed with about a 0.7% gain and then reopened a Long position on 28 March which has gained about 0.9%, and others remain the same. Amongst equities, SPX remains in its Long position opened on 9 February with about a 2.3% gain, UKX closed its Short position opened on 15 March with about a 0.3% gain, DAX remains in its Long position opened on 17 March with about a 0.9% gain, and others remain the same. The US10Y closed a Short position opened during the week.

The iFlow iQ framework is based on a rich source of fundamental investor flow information. Investor flows have the dominant role to drive a long/short bias. There is an overlay of a set of technical analysis parameters aimed at improving the price-sensitivity of the framework. This framework equips you to make well-informed decisions across different portfolio strategies and investment horizons. **The signal grid below, as of 29 March 2017, is representative of some of the numerous applications across a multitude of asset classes and markets.**

If you would like a daily update of this framework or others, please contact one of BNY Mellon Markets Sales professionals in Boston (+1 617 722 6800), New York (+1 212 815 7166), London (+44 207 570 0892), Hong Kong (+852 2840 6693), or Singapore (+65 6597 2716).

(jiangang.dou@bnymellon.com)

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29-Mar-2017							
Note: All FX Signals are against the USD, e.g., Long AUD means long AUD/USD, Long CAD means short USD/CAD, etc.							
1	2	3	4	5	6	7	8
CURRENCY	SIGNAL	SIGNAL DATE	ENTRY PRICE	STOP	CURRENT PRICE	OPEN P&L (%)	5-Year Compounded Annual Return (%)
AUD	Long	---	---	---	0.7670	---	11.26
CAD	Close Short	---	---	---	1.3326	---	11.33
CHF	Flat	---	---	---	0.9985	---	11.02
EUR	Short	---	---	---	1.0768	---	9.75
GBP	Short	---	---	---	1.2434	---	9.05
JPY	Long	---	---	---	111.04	---	13.66
NOK	Short	---	---	---	8.4999	---	8.31
NZD	Short	---	---	---	0.7033	---	21.08
SEK	Long	---	---	---	8.9677	---	13.05
MXN	Long	---	---	---	18.7058	---	12.65
BRL	Short	---	---	---	3.1197	---	26.96
KRW	Flat	---	---	---	1114.3	---	11.73
SGD	Long	---	---	---	1.3641	---	7.45
TWD	Long	---	---	---	30.248	---	5.75
INR	Long	---	---	---	64.9137	---	12.44
THB	Long	---	---	---	34.412	---	5.59
MYR	Long	---	---	---	4.4195	---	0.09
IDR	Flat	---	---	---	13314.00	---	16.46
PHP	Long	---	---	---	60.146	---	5.04
ZAR	Flat	---	---	---	13.0414	---	18.89
TRY	Short	---	---	---	3.6483	---	15.17
HUF	Short	---	---	---	387.63	---	12.16
PLN	Long	---	---	---	3.9290	---	10.25
COP	Flat	---	---	---	663.35	---	8.04
COP	Long	---	---	---	2831.90	---	23.59
RUB	Flat	---	---	---	66.62	---	34.27
INDEX	SIGNAL	SIGNAL DATE	ENTRY PRICE	STOP	CURRENT PRICE	OPEN P&L (%)	5-Year Compounded Annual Return (%)
SPX	Long	---	---	---	2361.13	---	26.31
INX	Flat	---	---	---	19217.48	---	25.34
UKX	Flat	---	---	---	7373.72	---	11.65
DAX	Long	---	---	11611.43	12203.00	---	24.72
BOND	SIGNAL	SIGNAL DATE	ENTRY YIELD	STOP	CURRENT YIELD	OPEN P&L (bps)	5-Year Mean Annual Return (bps)
US10Y	Close Short	---	---	---	2.3765	---	72.62

- STOP - Each new signal carries a predetermined "overlay" stop designed to provide broad latitude of price movement, and defined risk.
 - The current price/yield is the 5pm EST closing price on Bloomberg.
 - The model takes 5pm EST closing price of the signal out day as entry/exe price.
 - Please be aware that data revisions may cause signals to be revised occasionally, see below for details.
 - The bond yield index is Bloomberg US06 10YR index; long equals falling yields, short equals rising yields.

NOTES:
 - "Signal" as used in this document refers to model output information only and should not be relied upon as a direction or instruction to take a specific market position or any action whatsoever.
 - All trading models could experience periods of drawdown that may last for protracted periods of time, which is why single asset performance is generally more volatile than a diversified portfolio of assets that can provide a more balanced overall performance thereby reducing the depth and time of drawdown periods that otherwise could be experienced in a single asset portfolio. Past performance is not indicative of future results. There is risk in all trading.



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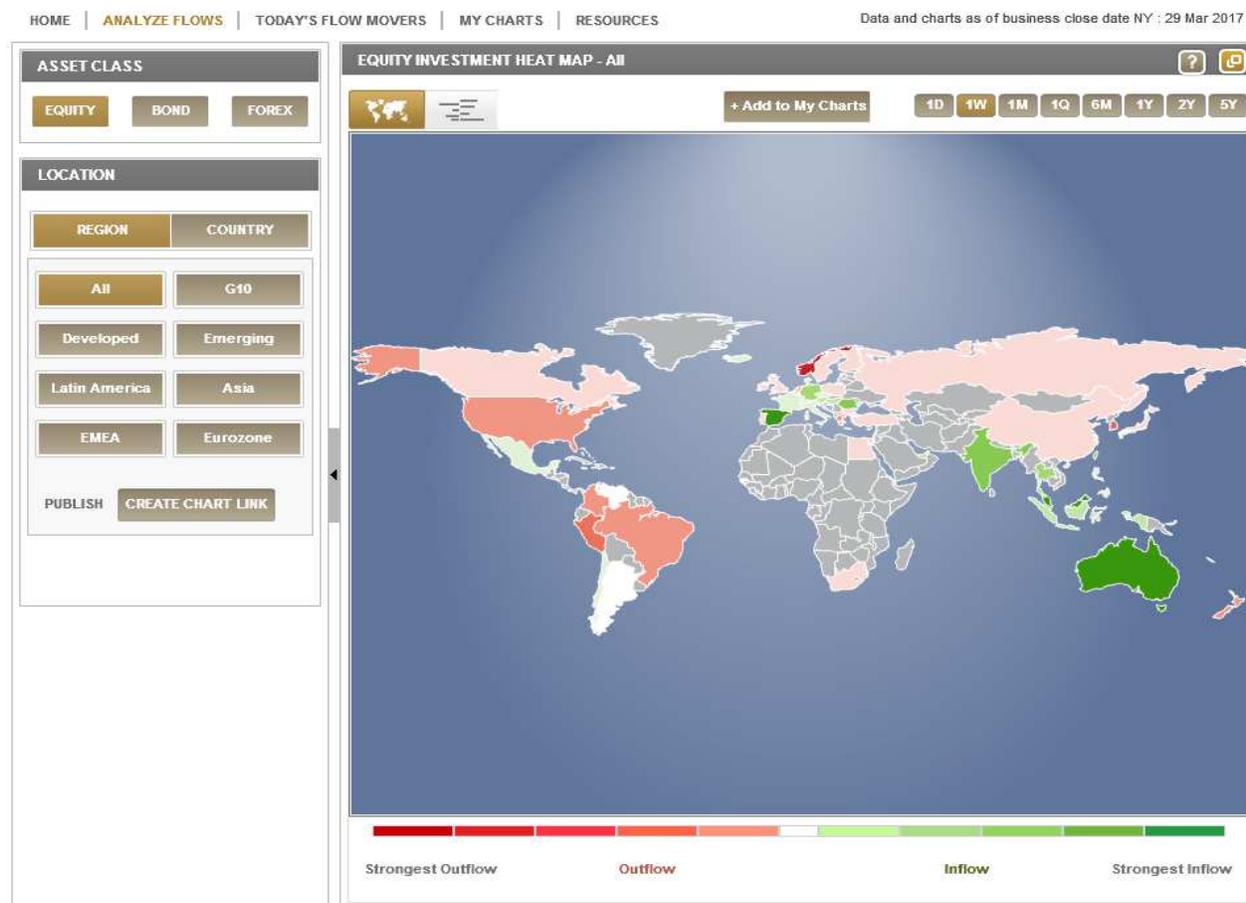
iFLOW: GLOBAL EQUITY MARKETS ... over the past week

In the past week, equity flows in most regions were mixed.

Amongst developed markets, the past week has seen modest net inflows to Germany, France, Switzerland, Denmark, Austria, Spain, Italy and Australia; considerable net outflows from Norway; modest net outflows from US, Canada, Japan, UK, Ireland, Sweden, Finland, Netherlands, Belgium, Portugal, Greece and New Zealand.

In emerging markets:

- China has seen modest net outflows, with the Shanghai Comp Index and Shenzhen Comp Index down about 1.2% and 1.9% respectively in the past week, amid concerns over liquidity and tighter policies. South Korea has seen considerable net outflows, while Taiwan, India, Malaysia, Thailand, Philippines and Indonesia have seen modest net inflows.
- Brazil has seen modest net outflows. The stock market got some relief with the reversal of the ban on meat exports to China, Chile and Egypt. Colombia and Peru have seen modest net outflows, while Chile have seen modest net inflows.
- Mexico has seen modest net inflows, with the MEX IPC index up about 0.4% in the past week.
- South Africa has seen modest net outflows.
- Russia has seen modest net outflows, with the MICEX index down about 1.4% in the past week. Turkey and Poland have also seen modest net outflows, while Hungary and Czech Republic have seen modest net inflows.



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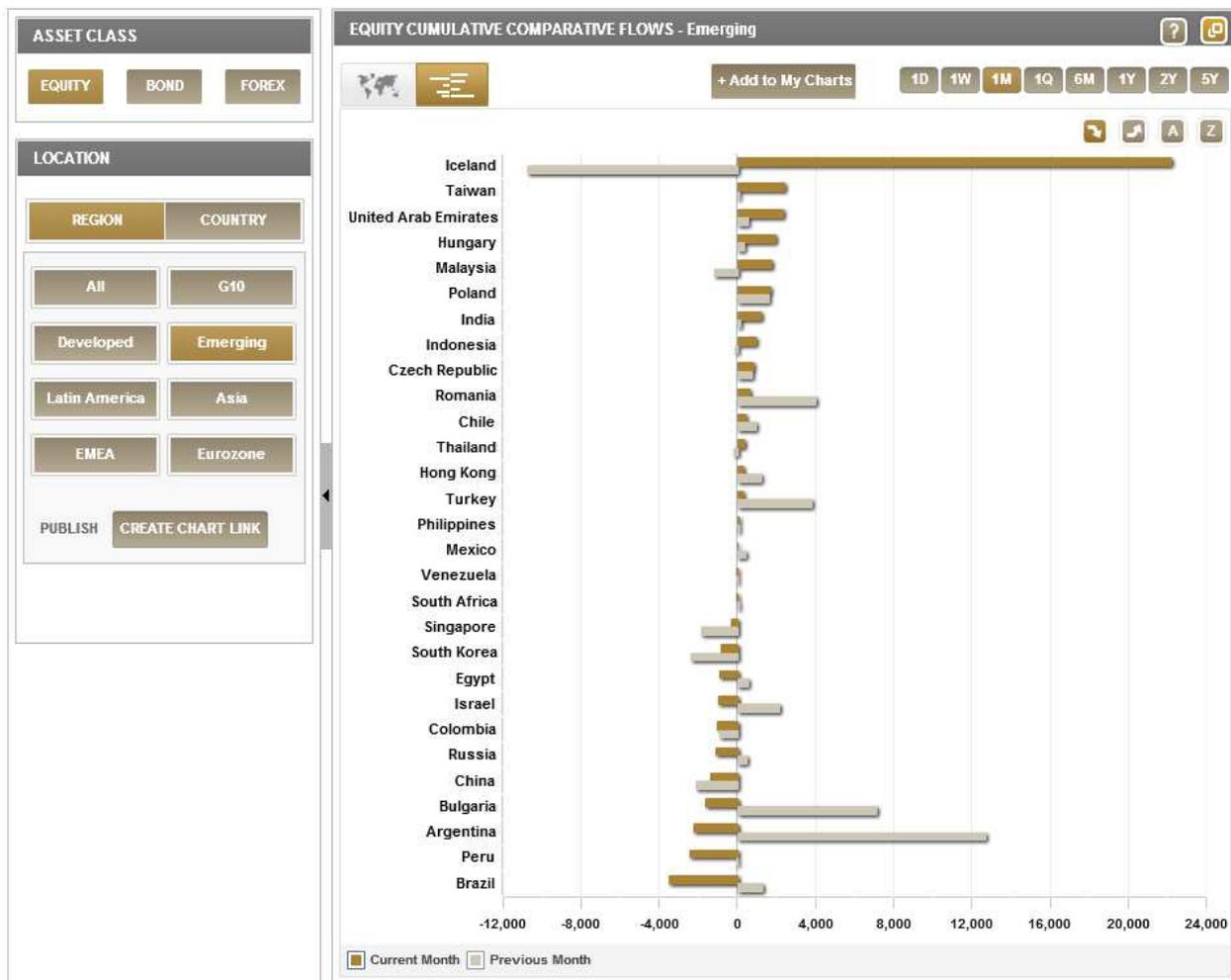
iFLOW: DEVELOPED EQUITY MARKETS ... over the past month



iFLOW: EMERGING EQUITY MARKETS ... over the past month

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Data and charts as of business close date NY : 29 Mar 2017



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