



BNY Mellon iFlow® Weekly

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3 March 2016

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COMMENTARY

Following on the G-20 summit last weekend, iFlow indicators over the past several sessions have reflected a willingness on the part of global investors to once again start making forays into select asset markets. As a result of the slight recovery in risk appetite, we are seeing emerging market currencies that had been strongly sold off at the beginning of the year, beginning to attract inflows. Whether this fresh buying proves tactical or strategic remains to be seen in the coming weeks.

For example, the budget in India was a strong positive surprise for global investors, with the Finance Minister advocating prudence and aiming for a smaller budget deficit target of 3.5% of GDP in fiscal year 2016-17. Local equities have gained strongly as a result (the benchmark SENSEX is up about 7% in the past three post-budget sessions). The INR has also posted gains thus far this week, gaining to 67.34 vs the USD today from levels above 68.75 last week. However, as Chart 1 shows, real money investors have been slowly increasing their rupee exposure in anticipation since late-January as they availed of better re-entry levels as USD/INR rose above the 68 level.

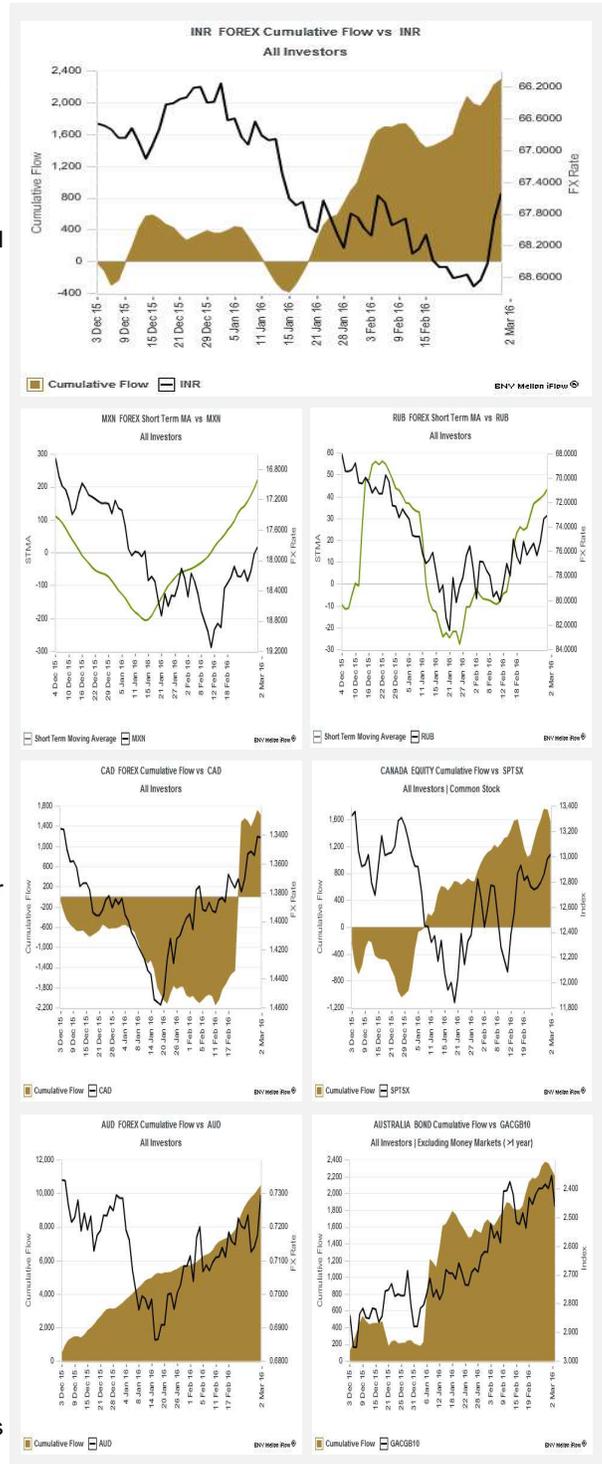
Elsewhere, currencies such as MXN and RUB (Charts 2 and 3) have been bought since late January when both currencies fell to multi-year lows. FX investors are buying perceived 'overshooting candidates', plus expectations that oil/energy prices may have bottomed are also in play.

In the G-10 space, the Canadian dollar and Australian dollar have gained ground in the past week. Interestingly, iFlow charts show global investor interest in the underlying asset markets has been underpinning these two currencies for the past several weeks, but with a slight variation – the CAD has been buoyed by steady inflows into local equities (Charts 4 and 5 – consistent with the benchmark S&P/TSX stock index being one of the better performing bourses year-to-date, up 3.06% in USD terms), while the AUD has been supported by steady inflows into the local bond market as fixed income managers seek higher yields in a low-rate environment (Charts 5 and 6 – consistent with the 10-year yield having dipped below 2.35% this week from levels above 2.8% in early January).

The coming weeks have some important central bank meetings. The BOC, RBNZ and ECB will make policy and rate decisions next week, and then the BOJ, Fed, SNB and BOE meet the following week. Global investors will be watching closely as central bankers grapple with diminishing returns to QE and negative rates. There will also be growing focus on alternatives such as fiscal stimulus and structural reform. For example, the Canada budget is due on 22 March, with a planned fiscal expansion expected to support growth. Against this backdrop, investor sentiment is likely to remain fickle, and risk aversion might yet return forcefully if there were to be any policy or data disappointments.

Thus, it may be premature to call an end to the volatility that has dominated global markets year-to-date – investor pessimism is unlikely to go away conclusively and money managers are likely to remain tactical in the next several weeks unless concerted policy coordination and favorable data help make a dent on what essentially remains a crisis of confidence.

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iFLOW[®] iQ

In the signal grid below as of 2 March 2016 (compared to the previous week's signal grid as of 25 February), amongst G10 FX, CAD closed its Long position opened on 25 February with about a 0.9% gain, EUR remains in its Short position opened on 19 February with about a 2.4% gain, JPY remains in its Long position opened on 4 February with about a 2.8% gain, NOK remains in its Short position opened on 5 February with about a 1.2% gain, NZD opened a Long position on 1 March which has gained about 0.7%, and others remain the same. In emerging markets, MXN opened a Long position on 26 February which has gained about 2.5%, SGD opened a Short position, INR closed its Short position and opened a Long position on 29 February which has gained about 1.3%, THB remains in its Long position opened on 29 January with about a 0.4% gain, MYR remains in its Long position opened on 24 February with about a 1.4% gain, ZAR changed to Flat from Short, CLP closed its Short position and opened a Long position on 1 March which has gained about 1%, and others remain the same. Amongst equities, SPX closed its Long position opened on 16 February with about a 2.8% gain and reopened a Long position on 1 March which has gained about 0.4%. The US10Y remains in its Short position opened on 24 February with about a 9.2 bps gain.

iFlow iQ models are 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 models. These models equip you to make well-informed decisions across different portfolio strategies and investment horizons. **The signal grid below, as of 2 March 2016, is representative of some of the numerous applications across a multitude of asset classes and markets.**

If you would like a daily update of these models or others, please contact one of our Global Markets Sales professionals in Boston (+1 617 722 6800), New York (+1 212 815 7166), London (+44 207 570 0892) or Hong Kong (+852 2840 6693). (jiangang.dou@bnymellon.com)

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2-Mar-2016							
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 (%)	12-Month Total Return (%)
AUD	Flat	***	***	***	0.7295	***	-9.67
CAD	Close Long	***	***	***	1.3417	***	-2.50
CHF	Flat	***	***	***	0.9968	***	2.35
EUR	Short	***	***	***	1.0868	***	-6.67
GBP	Flat	***	***	***	1.4078	***	14.85
JPY	Long	***	***	***	113.48	***	-6.29
NOK	Short	***	***	***	8.6645	***	1.80
NZD	Long	***	***	***	0.6675	***	10.70
SEK	Flat	***	***	***	8.6092	***	13.66
MXN	Long	***	***	***	17.8255	***	11.32
BRL	Short	***	***	***	3.8941	***	17.69
KRW	Short	***	***	***	1227.47	***	-3.25
SGD	Open Short	***	***	***	1.3968	***	1.17
TWD	Flat	***	***	***	33.114	***	3.59
INR	Long	***	***	***	67.5462	***	1.56
THB	Long	***	***	***	35.543	***	5.74
MYR	Long	***	***	***	4.1670	***	28.43
IDR	Flat	***	***	***	13301.00	***	-1.91
PHP	Flat	***	***	***	47.276	***	-2.78
ZAR	Flat	***	***	***	15.549	***	16.00
TRY	Long	***	***	***	2.928	***	4.10
HUF	Flat	***	***	***	285.890	***	3.03
PLN	Short	***	***	***	3.978	***	16.71
CLP	Long	***	***	***	686.310	***	15.39
INDEX	SIGNAL	SIGNAL DATE	ENTRY PRICE	STOP	CURRENT PRICE	OPEN P&L (%)	12-Month Total Return (%)
SPX	Long	***	***	***	1986.45	***	2.28
BOND	SIGNAL	SIGNAL DATE	ENTRY YIELD	STOP	CURRENT YIELD	OPEN P&L (bps)	12-Month Total Return (bps)
US10Y	Short	***	***	***	1.8406	***	29.78

- * 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/exit price.
- * Please be aware that data revisions may cause signals to be revised occasionally, see below for details.
- * The bond yield index is Bloomberg USCG10YR 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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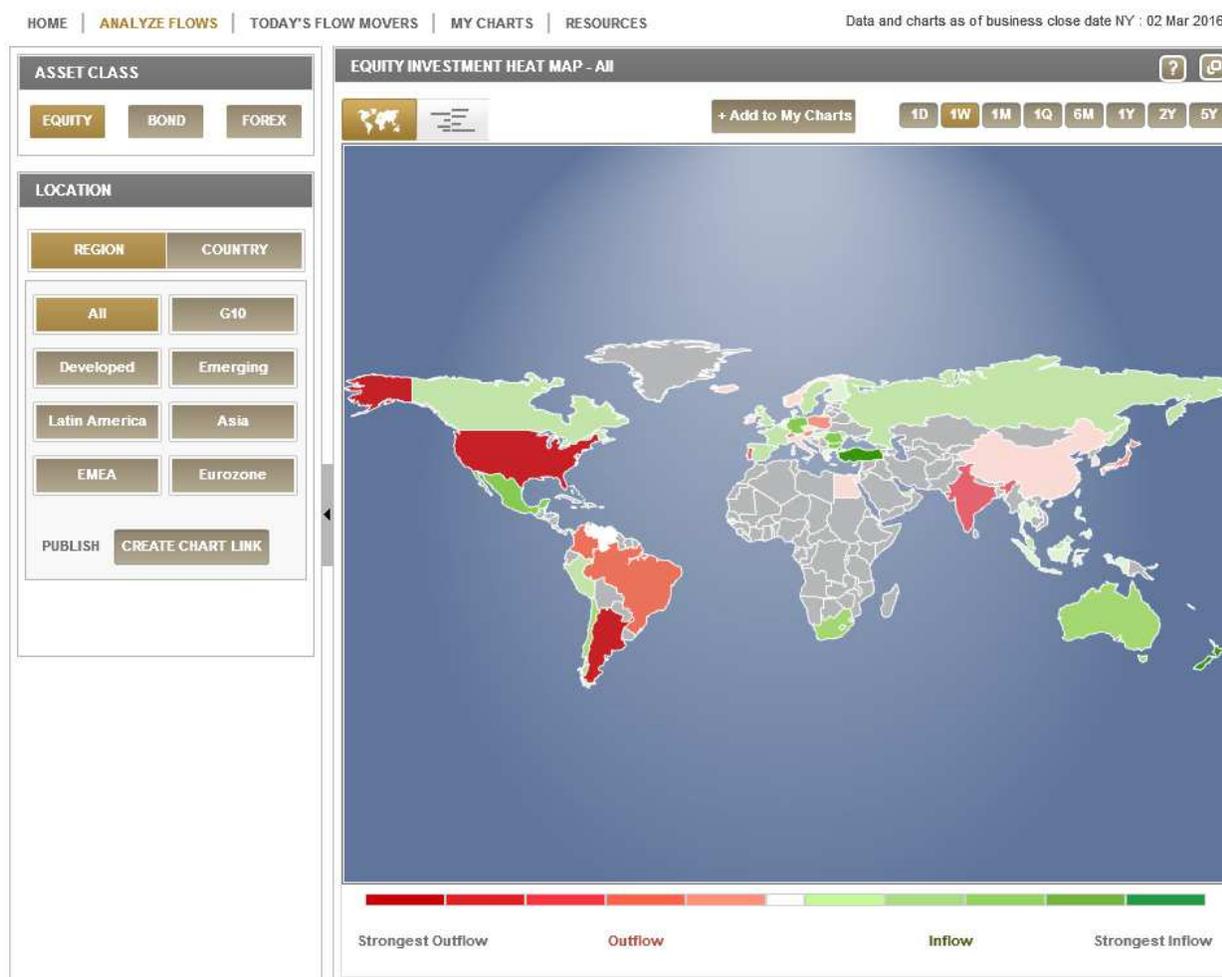
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iFLOW: GLOBAL EQUITY MARKETS ... over the past week

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

For emerging markets:

- China has seen modest net outflows in the past week. Investors remain cautious about the economic slowdown, although the central bank cut reserve requirement ratio early this week. Taiwan, Malaysia, Indonesia, Thailand and Philippines have seen modest net inflows, while South Korea and India have seen modest net outflows.
- Brazil and Colombia have seen modest net outflows, while Peru and Chile have seen modest net inflows.
- Mexico has seen net inflows, with the MEX IPC index up about 2.6% in the past week.
- South Africa has seen modest net inflows, with the JALSH index up about 7% in the past week.
- Russia has seen modest net inflows, with the MICEX index up about 3% in the past week; Turkey, Czech Republic and Hungary have seen modest net outflows, while Poland has seen considerable net inflows.



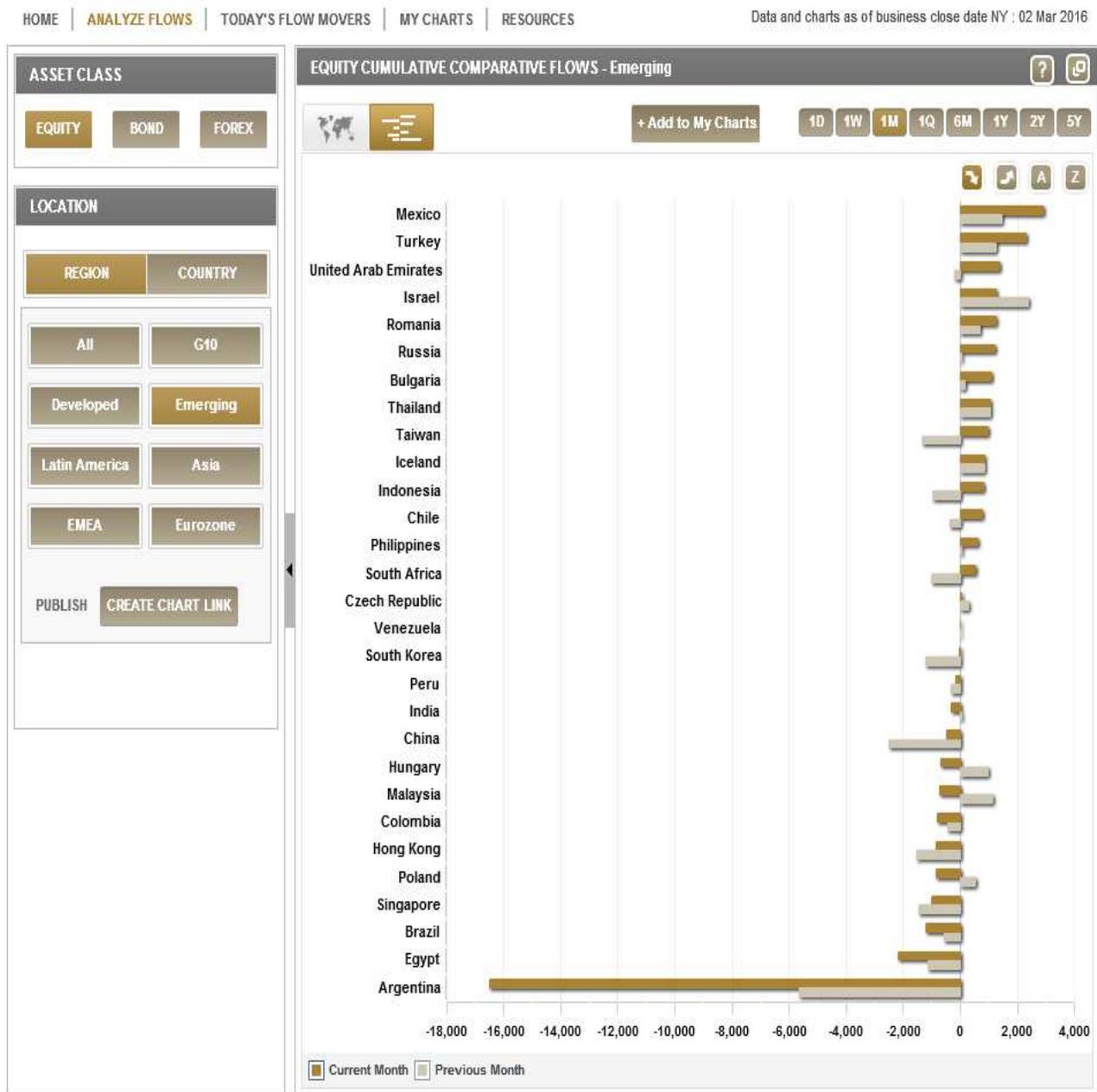
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iFLOW: DEVELOPED EQUITY MARKETS ... over the past month



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



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