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COMMENTARY

This week, we turn to the recent weakness in commodity-linked currencies which is not entirely unrelated to global investors renewing their appetite for the greenback. As our iFlow cumulative FX Chart 1 shows, the USD has been in pole position over the past two weeks. This is consistent with the price action shown in the Bloomberg Charts 2 (past week) and 3 (month-to-date), and the DXY Dollar Index's rapid rise to above 98.0 yesterday from levels with a 95 handle just last week (although the USD has given back some gains today).

The USD's renewed general ascendance reflects several developments of late. First, the Euro's woes amidst the heightened uncertainty in Greece in recent weeks led to dollar buying, especially as global portfolio managers pared and/or hedged their exposure in Eurozone asset markets. Second, risk aversion has led to steady US Treasury inflows, boosting USD demand. Third, the US Federal Reserve has continued to signpost its preference for initiating rate normalization later this year, which makes it the lone relatively hawkish central bank amongst its developed market peers. Fourth, on the flip side, global growth remains tentative at best, as a result of which several G-10 central banks such as in NZ, Norway and Canada have had to reduce benchmark rates in recent weeks.

These factors have combined to yield a negative effect on commodity markets and related exposure. Charts 4, 5, 6, 7 show month-to-date iFlow FX indicators for the CAD, NZD, NOK and AUD respectively. It appears the currencies whose central banks have cut rates in the past month or so (BoC on 15 July, Norges Bank on 19 June, RBNZ on 11 June) have especially borne the brunt of net selling in recent sessions – this is not too surprising in a low-rate environment where investors remain thirsty for yield.

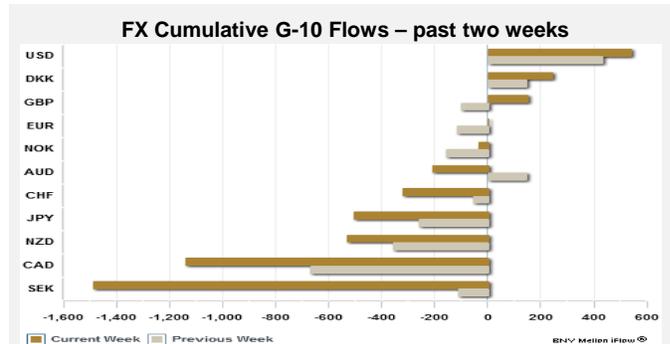
In emerging markets though, investor selectivity is evident. For example, while we have seen strong outflows in the Russian ruble (Chart 8) and Mexican peso (Chart 9), we have observed modest inflows on balance in the South African rand and Brazilian real. Once again, this is consistent with month-to-date price action that has seen the ZAR (-0.25%) and BRL (-0.05%) almost flat vs the USD, while the RUB (-1.23%) and MXN (-1.18%) have lost more ground. However, these losses are smaller than the total return losses of CAD (-2.72%), AUD (-2.62%), NOK (-2.11%) and NZD (-1.22) vs USD month-to-date.

Clearly, the “commodity theme” is more evident in G-10 FX where policy divergence has reinforced investor activity, while managers are more discerning in emerging markets portfolios.

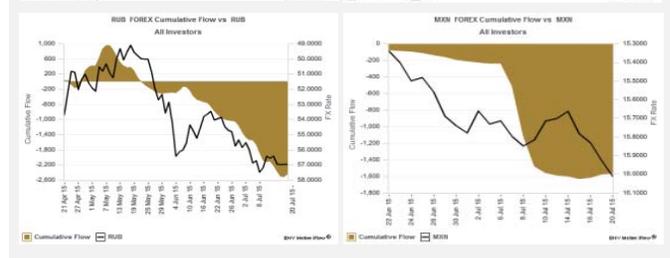
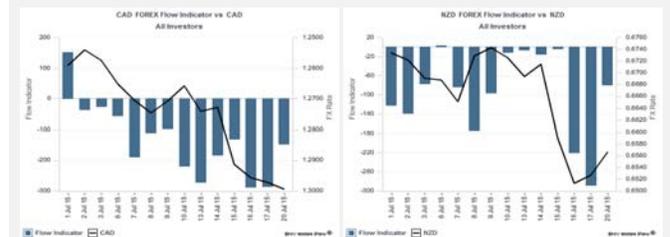
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MARKETS GROUP



Period	Start	End	Base Curn	Total Returns (%)
07/14/2015	07/21/2015	USD	0.01	-0.09
		NOK	0.02	-0.17
		AUD	0.02	-0.34
		JPY	0.02	-0.46
		GBP	0.02	-0.47
		DKK	0.02	-0.47
		EUR	0.02	-0.51
		SEK	0.02	-0.98
		NZD	0.02	-1.36
		CHF	0.02	-1.69
		CAD	0.02	-1.69



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iFLOW® iQ

In the signal grid below as of 20 July 2015 (compared to the previous week's signal grid as of 14 July), AUD closed its Long position, CAD changed to Short from Long, EUR closed its Short position opened on 7 July with about a 1.3% gain, GBP changed to Long from Flat, JPY opened a Short position on 15 July which has gained about 0.4% so far, NZD remains in its Short position opened on 8 April with about a 13% gain, SEK remains in its Short position opened on 1 July with about a 2.9% gain, and others remain the same. In emerging markets, MXN remains in its Short position opened on 13 July with about a 2% gain, BRL remains in its Short position opened on 1 July with about a 1.5% gain, KRW remains in its Short position opened on 14 July with about a 0.9% gain, TWD changed to Flat from Long, THB remains in its Short position opened on 27 May with about a 2.1% gain, MYR changed to Short from Flat, PHP remains in its Short position opened on 19 June with about a 0.5% gain, and others remain the same. Amongst equities, SPX has closed its previous Short position and opened a Long position. The US10Y remains Flat.

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 20 July 2015, 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)

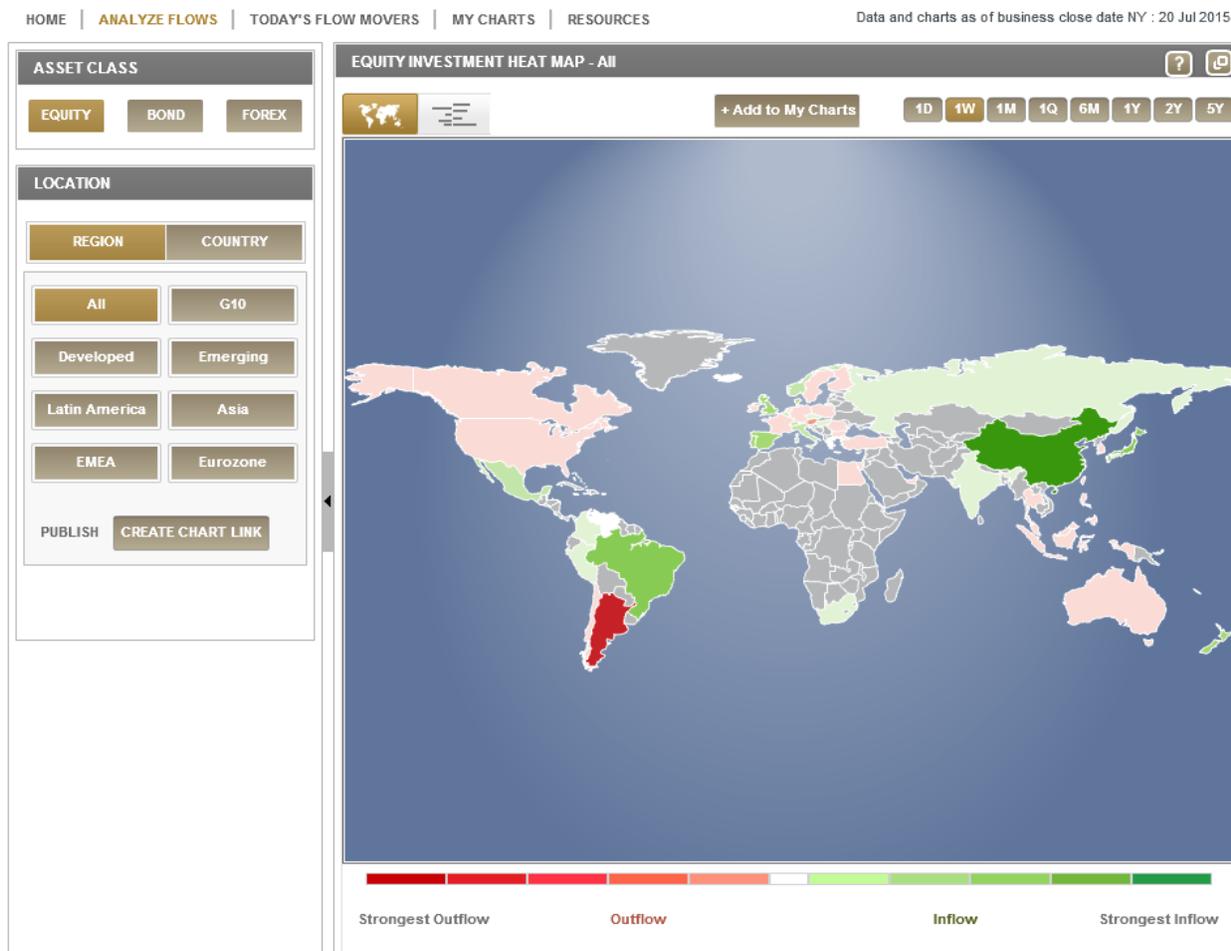
							
BNY Mellon iFlow iQ							
20-Jul-2015							
Note: All FX Signals are against the USD, e.g., Long AUD means long AUD/USD, Long CAD means short USD/CAD, etc.							
1	2	3	4	5	6	7	8
CURRENCY	SIGNAL	SIGNAL DATE	ENTRY PRICE	STOP	CURRENT PRICE	OPEN P&L (%)	12-Month Total Return (%)
AUD	Close Long	***	***	***	0.7372	***	7.06
CAD	Short	***	***	***	1.2994	***	8.72
CHF	Flat	***	***	***	0.9646	***	3.32
EUR	Flat	***	***	***	1.0825	***	17.27
GBP	Long	***	***	***	1.5564	***	8.23
JPY	Short	***	***	***	124.27	***	11.37
NOK	Flat	***	***	***	8.2355	***	18.25
NZD	Short	***	***	***	0.6566	***	19.05
SEK	Short	***	***	***	8.6221	***	16.70
MXN	Short	***	***	***	16.012	***	18.98
BRL	Short	***	***	***	3.196	***	25.53
KRW	Short	***	***	***	1152.2	***	10.28
SGD	Flat	***	***	***	1.3708	***	9.06
TWD	Flat	***	***	***	31.184	***	2.45
INR	Long	***	***	***	63.6675	***	-1.59
THB	Short	***	***	***	34.470	***	4.45
MYR	Short	***	***	***	3.8077	***	21.15
IDR	Flat	***	***	***	13395.00	***	7.98
PHP	Short	***	***	***	45.327	***	0.75
INDEX	SIGNAL	SIGNAL DATE	ENTRY PRICE	STOP	CURRENT PRICE	OPEN P&L (%)	12-Month Total Return (%)
SPX	Long	***	***	***	2128.28	***	13.41
BOND	SIGNAL	SIGNAL DATE	ENTRY YIELD	STOP	CURRENT YIELD	OPEN P&L (bps)	12-Month Total Return (bps)
US10Y	***	***	***	***	2.3723	***	14.42
* 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 USGG10YR 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.							

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

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

For emerging markets:

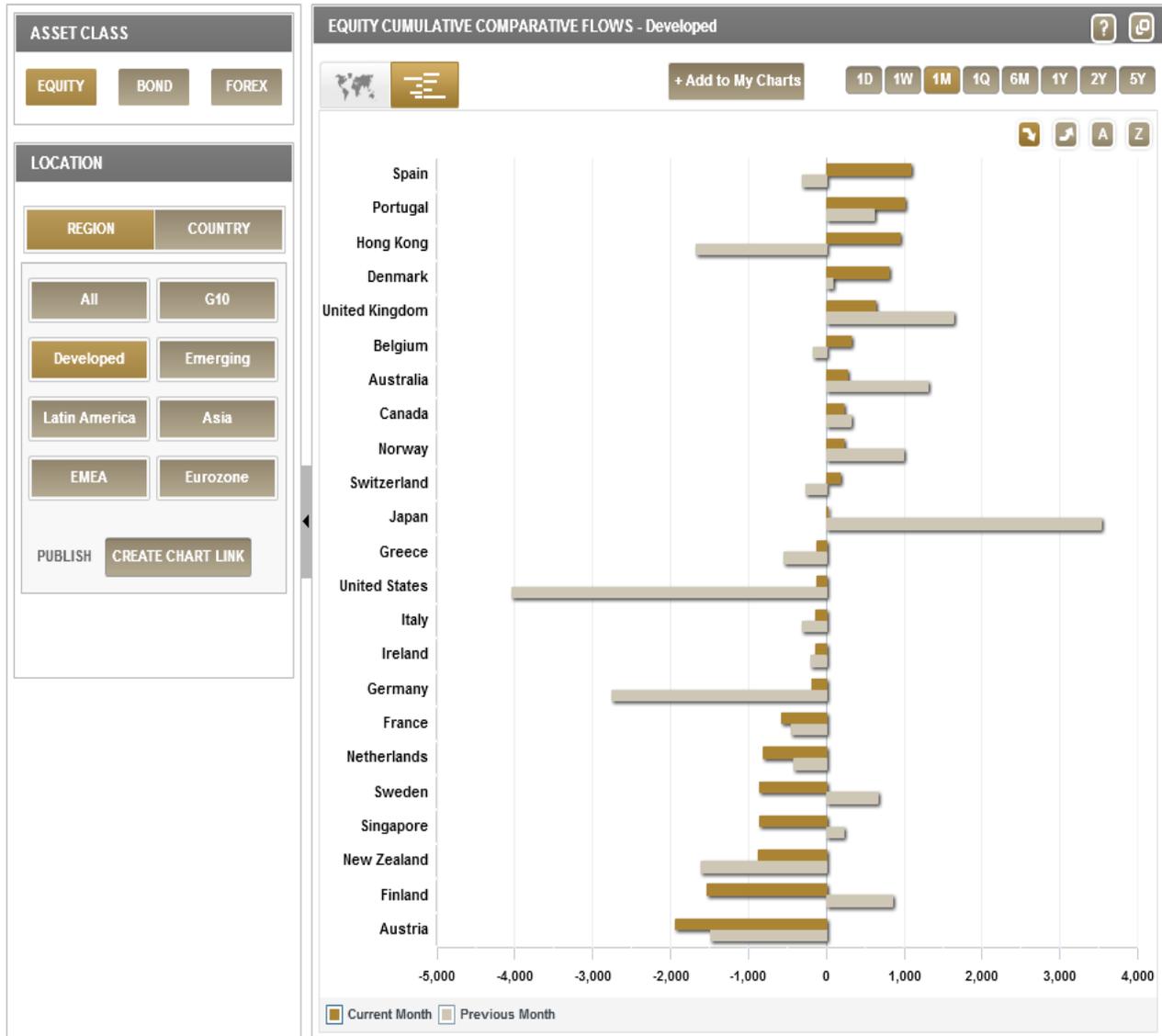
- China continues to see considerable net inflows consistent with stock market indices rebounding -- the Shanghai Comp Index and the Shenzhen Comp Index were up 2.4% and 5.4% respectively in the past five trading days. India has seen modest net inflows, while South Korea, Taiwan, Thailand, Malaysia, Indonesia and Philippines have seen modest net outflows.
- Brazil, Colombia and Peru have seen modest net inflows, while Chile has seen modest net outflows.
- Mexico has seen modest net inflows.
- South Africa continues to attract net inflows.
- Russia has seen modest net inflows. Hungary and Czech Republic have seen modest net inflows, while Turkey and Poland have seen modest net outflows.



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

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Data and charts as of business close date NY : 20 Jul 2015



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

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² Source: Global Finance Magazine, World's Best Foreign Exchange Providers 2015, January 2015

