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## COMMENTARY

This week, we turn to investment flows in the greenback and US asset markets.

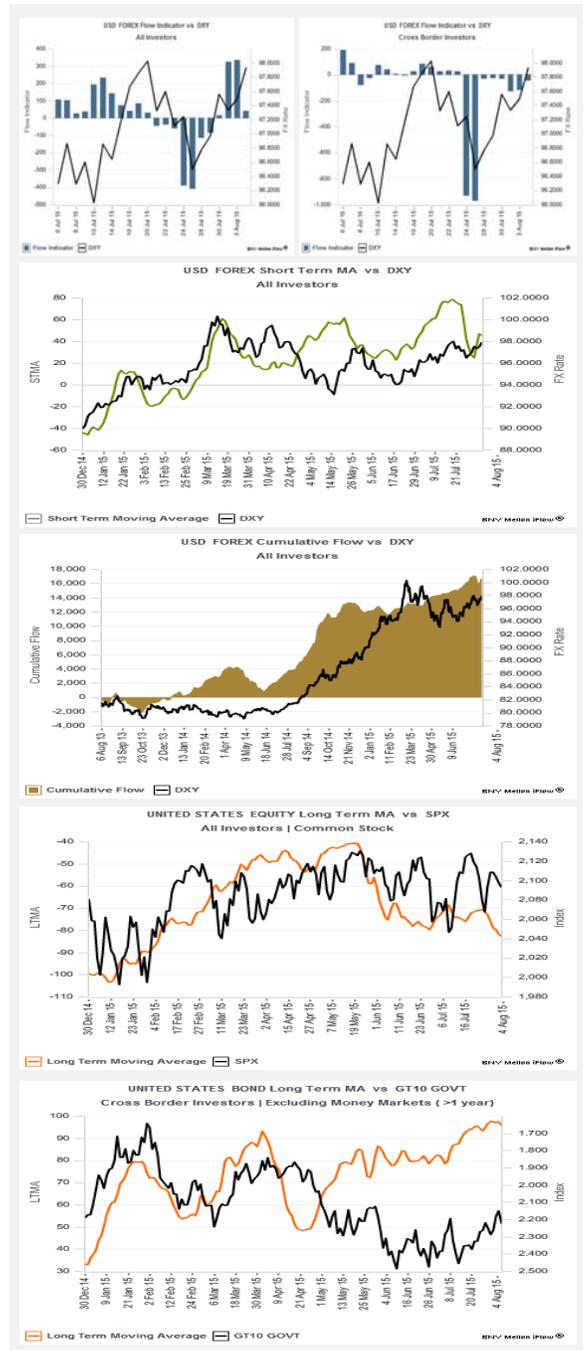
Currency market participants have resumed net purchases of the US dollar, consistent with the DXY Dollar Index once again scaling 98 today after having dipped to below 96.50 in late July. Delving into the details, it is interesting to compare Chart 1 (shows “All Investors”) and Chart 2 (shows “Cross-Border Investors”) over the past month. Evidently, the late July retreat of the greenback was driven by non-US investors – Chart 2 shows our iFlow USD FX indicator exceeding -900 (net selling by cross-border investors that was nine times stronger than average USD flows over the past year). By the same token, the renewed buying of the greenback in the past three days is being driven primarily by US investors. These two observations taken together might reflect global money managers bringing money home – in other words, paring asset-market exposure overseas given the general rise in risk aversion. Whether this is sustained remains to be seen.

In terms of shorter term trends, Chart 3 shows the 1mma of our USD FX indicator reflecting a series of ups and downs in investor activity in recent months. However, the bigger picture in Chart 4, showing cumulative USD flows over the past two years, gives an unambiguous message of dollar dominance. As we have written in recent iFlow Weeklies, the USD’s general ascendance reflects several developments of late, not least of which is the US Federal Reserve continuing 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.

We are also closely monitoring asset market flows as a factor in determining the USD’s fortunes. Chart 5 shows the 3mma of our iFlow US equity indicator – investors appear to be taking profits and slowly reducing exposure in recent weeks. Chart 6 shows the 3mma of our iFlow US bond indicator and reflects elevated demand for US paper, especially Treasuries in recent weeks. The pace of these inflows picked up in July, which is entirely consistent with the benchmark 10-year yield having drifted lower to below 2.15% this week from levels above 2.45% on 13 July.

It is clear that the rebound in risk aversion has played a key role in investor activity in recent months, especially the sell-offs in commodities and emerging markets. Against this backdrop, the USD’s dual appeal as a relative safe-haven and being the currency of a central bank willing to raise rates, is likely to persist. Risk aversion and yield differentials (especially vs Europe) are also buoying UST demand. The wild card here is the mix of US vs non-US investor activity in global and especially US equity markets in the coming months amidst potential asset allocation switches, which we are tracking with great interest.

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iFLOW® iQ

In the signal grid below as of 4 August 2015 (compared to the previous week's signal grid as of 27 July), CAD remains in its Short position opened on 15 July with about a 2.2% gain, CHF opened a Short position on 3 August which has gained about 1%, EUR remains in its Short position opened on 27 July with about a 1.9% gain, GBP closed its Long position and opened a Short position on 31 July which has gained about 0.4%, JPY closed its Long position and reversed to Short, NOK closed its previous Short position and reopened a Short position days later, NZD remains in its Short position opened on 8 April with about a 13.5% gain, SEK remains in its Short position opened on 1 July with about a 3.9% gain, and others remain the same.

In emerging markets, BRL closed its Short position opened on 1 July with about a 6.6% gain and reopened a Short position on 31 July which has gained about 1.5% so far, KRW closed its Long position opened on 28 July with about a 0.3% gain and reversed to Short on 28 July which was closed on 31 July with about a 0.5% gain and then reversed to Long which has gained about 0.4% so far, SGD closed its Long position opened on 24 July with about a 0.2% gain and reversed to Short on 29 July which has gained about 0.9% so far, TWD remains in its Short position opened on 24 July with about a 0.5% gain, THB remains in its Short position opened on 27 May with about a 3.9% gain, MYR remains in its Short position opened on 15 July with about a 1.3% gain, PHP remains in its Short position opened on 19 June with about a 1.2% gain, and others remain the same. Amongst equities, SPX changed to Flat from Long. 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 4 August 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](mailto:jiangang.dou@bnymellon.com))

 BNY Mellon iFlow iQ <span style="float: right;">4-Aug-2015</span>							
<i>Note: All FX Signals are against the USD, e.g., Long AUD means long AUD/USD, Long CAD means short USD/CAD, etc.</i>							
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	***	***	***	0.7380	***	7.06
CAD	Short	***	***	***	1.3193	***	15.83
CHF	Short	***	***	***	0.9785	***	4.28
EUR	Short	***	***	***	1.0881	***	19.14
GBP	Short	***	***	***	1.5564	***	10.48
JPY	Close Long and Go Short	***	***	***	124.38	***	10.80
NOK	Open Short	***	***	***	8.2921	***	18.25
NZD	Short	***	***	***	0.6538	***	20.40
SEK	Short	***	***	***	8.7108	***	17.76
MXN	Flat	***	***	***	16.299	***	19.83
BRL	Short	***	***	***	3.471	***	32.56
KRW	Long	***	***	***	1165.42	***	10.38
SGD	Short	***	***	***	1.3810	***	9.78
TWD	Short	***	***	***	31.57	***	2.91
INR	Long	***	***	***	69.7525	***	-3.46
THB	Short	***	***	***	35.102	***	6.32
MYR	Short	***	***	***	3.8523	***	21.41
IDR	Flat	***	***	***	13472.00	***	7.98
PHP	Short	***	***	***	45.605	***	1.37
INDEX	SIGNAL	SIGNAL DATE	ENTRY PRICE	STOP	CURRENT PRICE	OPEN P&L (%)	12-Month Total Return (%)
SPX	Flat	***	***	***	2093.32	***	12.26
BOND	SIGNAL	SIGNAL DATE	ENTRY YIELD	STOP	CURRENT YIELD	OPEN P&L (bps)	12-Month Total Return (bps)
US10Y	Flat	***	***	***	2.2213	***	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.							
<b>NOTES:</b> "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.							

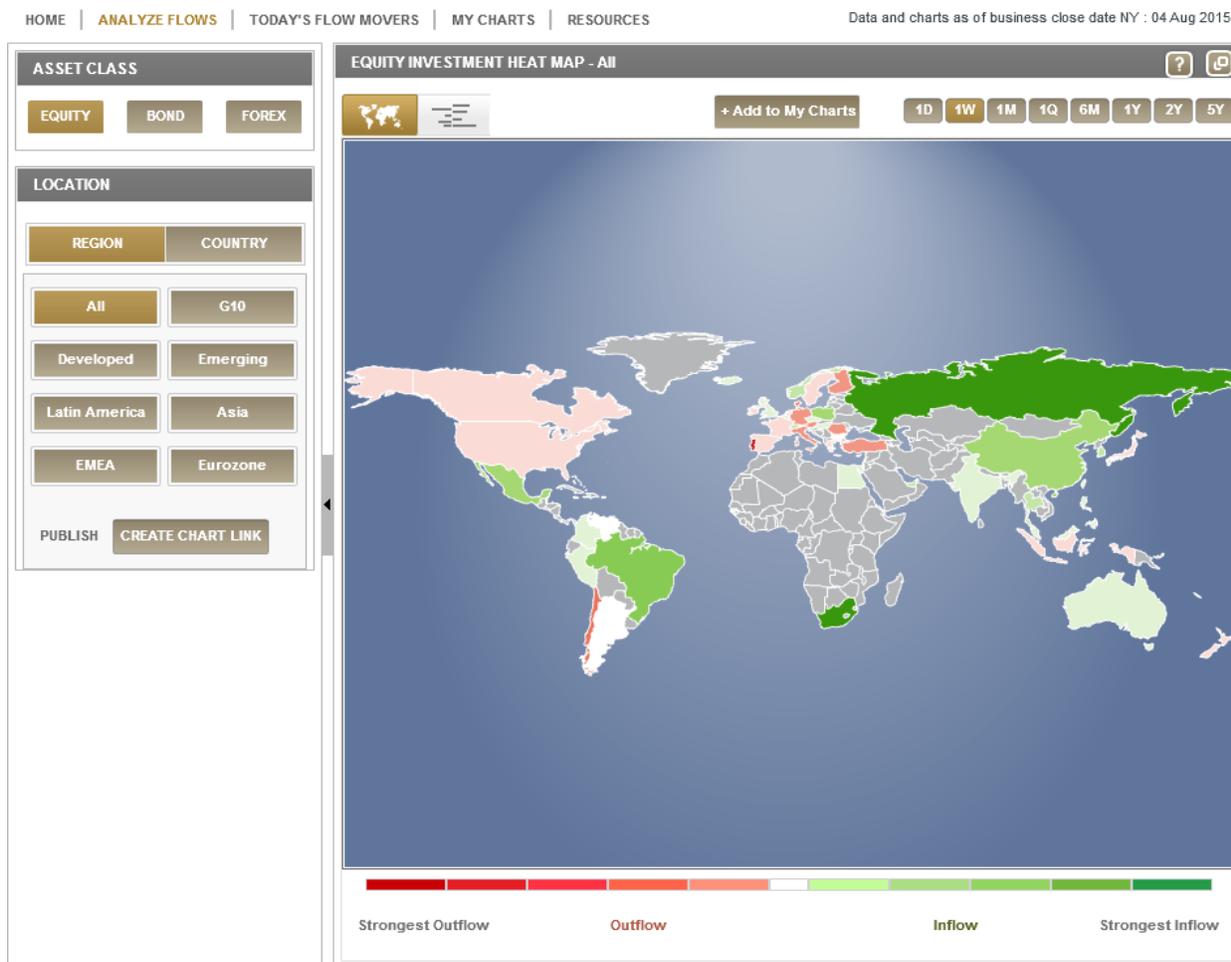


iFLOW: GLOBAL EQUITY MARKETS ... over the past week

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

For emerging markets:

- China has seen net inflows in the past week. The Shanghai Comp Index and the Shenzhen Comp Index rose 2% and 3.7% respectively in the past three trading days. The authorities have announced new measures to curb high volatility in the market, which helped support investor sentiment. South Korea, Taiwan, India, Thailand, Malaysia and Philippines have also seen net inflows, while Indonesia has seen modest net outflows.
- Brazil has seen net inflows, with the IBOVESPA index up about 0.5% in the past week. Colombia and Peru have seen modest net inflows, while Chile has seen modest net outflows.
- Mexico has seen considerable net inflows, with the Bolsa IPC index up about 1.9% in the past week.
- South Africa has attracted considerable net inflows, with the JALSH index up about 2.4% in the past five trading days.
- Russia has seen significant net inflows, with the MICEX index up about 4.5% in the past week. Hungary, Poland and Czech Republic have seen modest net inflows, while Turkey has seen modest net outflows.



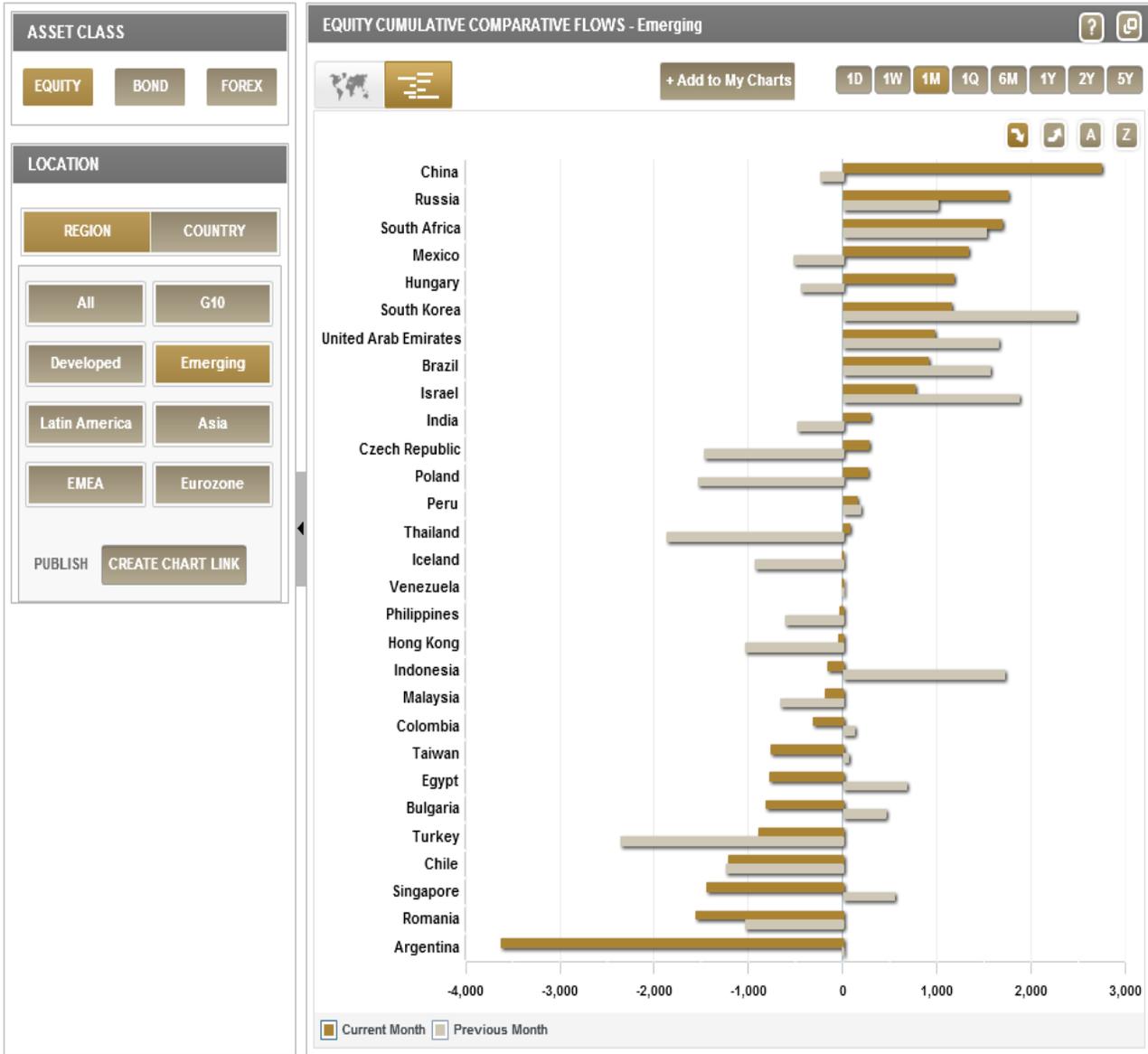
iFLOW: DEVELOPED EQUITY MARKETS ... over the past month



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

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Data and charts as of business close date NY : 04 Aug 2015



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

