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COMMENTARY

This week, we focus on key developed and emerging markets flows across bonds, equities and currencies.

The past several days have witnessed investors trying to decipher various indications from the US Federal Reserve. Per the FOMC statement on 17 September, key quotes included "Recent global economic and financial developments may restrain economic activity somewhat and are likely to put further downward pressure on inflation in the near term" and "monitoring developments abroad". Subsequently, we had several Fed policy-makers expressing their thoughts, culminating with Fed Chair Janet Yellen's comments yesterday.

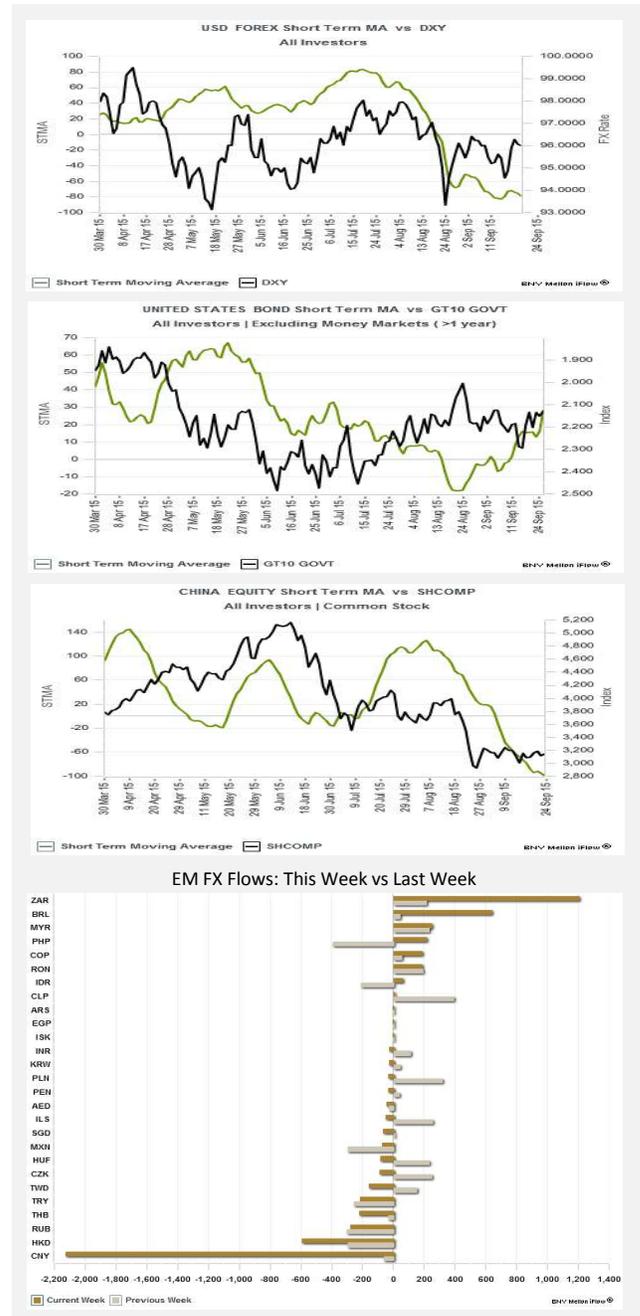
Against this backdrop, as Chart 1 illustrates, the 1mma of our iFlow USD FX indicator has been moving sideways in recent weeks as investors interpret alternating dovish and hawkish Fed speak. The DXY Dollar Index rebounded from just above 94 at mid-month to levels above 96, then retreated to around 95.5 levels before going above 96 again today. Uncertainty about U.S. monetary policy has led to increased market volatility. Investors have turned away from risky assets, seeking safe havens such as US Treasuries.

Indeed, Chart 2 shows the 1mma of our iFlow US bond indicator remaining northbound. USTs continue to be the safe haven of choice for investors, as persistent worries over the global growth outlook have led investors to reduce riskier exposure. The yield on the benchmark U.S. 10-year Treasury note has dropped to levels around 2.10% as of yesterday from last week's levels above 2.2%.

Chart 3 shows the 1mma of our iFlow China equity indicator remaining southbound. The Shanghai Comp Index has fallen about 3% in the past three trading days. Growth concerns continue to weigh on Chinese stock markets. The Asian Development Bank cut its growth forecast for China this year to 6.8% from 7.2% late Monday, and the most recent Flash China Caixin PMI fell to 47, a six and a half year low, adding anxiety over the slowdown in China's economy.

Chart 4 shows EMFX flows for the current week vs the past week. It is a mixed picture, with CNY, HKD and RUB being the top three that recorded net outflows, while ZAR, BRL and MYR are the top three that recorded net inflows. Evidently, some investors are buying into the record weakness of the Brazilian real, which suggests a tactical approach remains in play during the ongoing volatility in global markets.

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iFLOW® iQ

In the signal grid below as of 24 September 2015 (compared to the previous week's signal grid as of 17 September), AUD remains in its Short position opened on 25 August with about a 1.5% gain, EUR has closed its Long position and opened a Short position on 18 September which has gain about 0.6%, GBP changed to Long from Flat, NZD reopened a Long position after closed its previous Long position, SEK closed its Short position opened on 14 September with about a 1.5% gain, and others remain the same. In emerging markets, MXN closed its previous Long position, then opened a Short position which was closed shortly after, BRL remains in its Short position opened on 4 September with about a 2.8% gain, SGD has closed its Long position opened on 8 September with about a 1.3% gain and opened a Short position thereafter, TWD remains in its Short position opened on 31 August with about a 1.4% gain, THB remains in its Short position opened on 19 August with about a 2% gain, MYR closed a Short position opened on 23 September with about a 0.7% gain, IDR opened a Short position on 22 September which has gained about 0.9%, and others remain the same. Amongst equities, SPX closed its Short position opened on 17 September with about a 1.2% gain and reopened a Short position on 22 September which was closed with about a 0.6% gain. The US10Y changed to Flat from Long.

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 24 September 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)

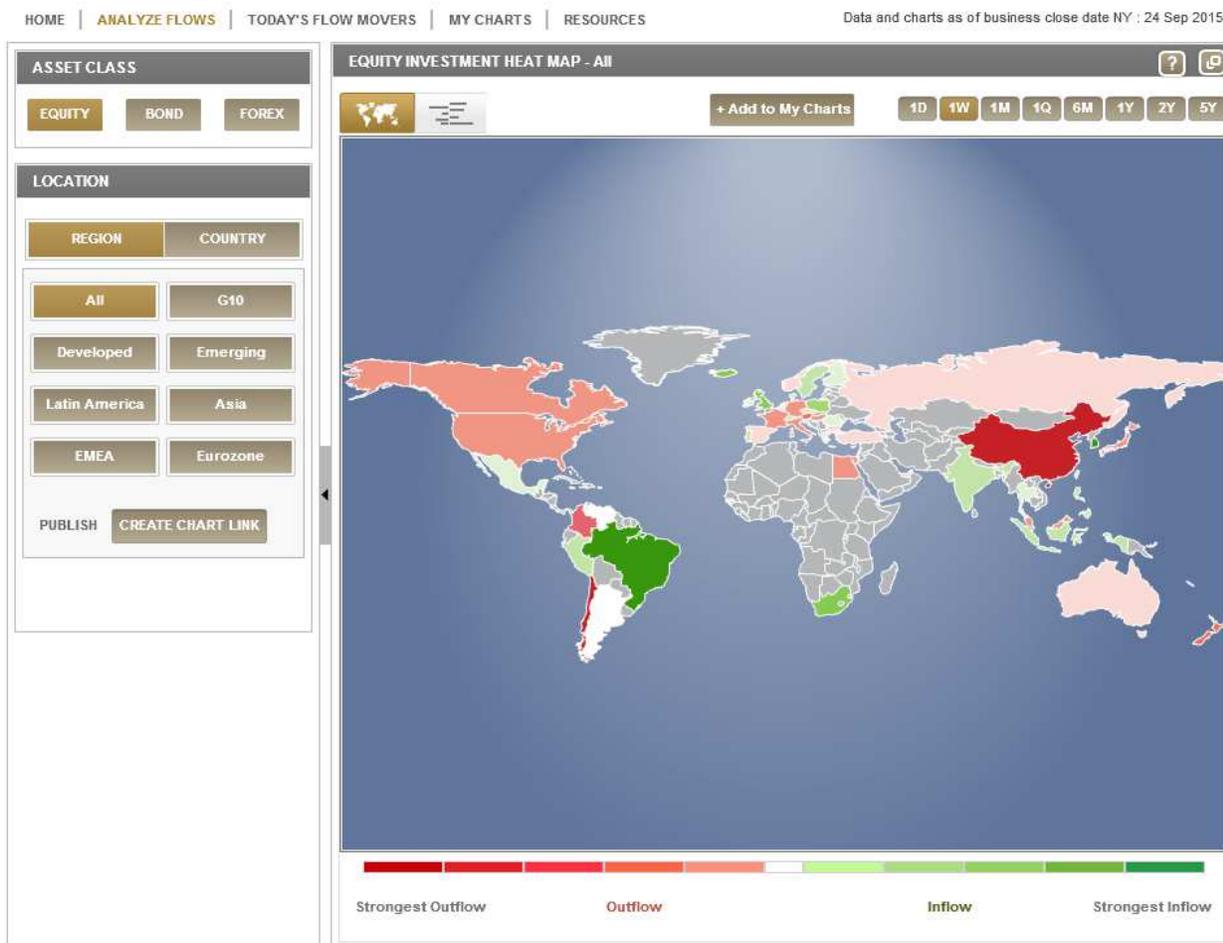
							
BNY Mellon iFlow iQ							
24-Sep-2015							
Note: All FX Signals are against the USD, e.g., Long AUD means long AUD/USD, Long CAD means short USD/CAD, etc.							
1	2	3	4	5	6	7	8
CURRENCY	SIGNAL	SIGNAL DATE	ENTRY PRICE	STOP	CURRENT PRICE	OPEN P&L (%)	12-Month Total Return (%)
AUD	Short	25-Aug-15			0.7024		11.27
CAD	Long	25-Aug-15			1.3305		12.06
CHF	Long	25-Aug-15			0.9754		-2.81
EUR	Short	18-Sep-15			1.1230		11.95
GBP	Long	24-Sep-15			1.5242		9.96
JPY	Long	24-Sep-15			120.07		3.77
NOK	Short	24-Sep-15			8.4515		21.59
NZD	Open Long	24-Sep-15			0.6355		23.64
SEK	Close Short	14-Sep-15			8.3839		14.37
MXN	Close Short	24-Sep-15			16.8694		14.66
BRL	Short	04-Sep-15			3.9507		31.72
KRW	Long	24-Sep-15			1192.63		7.22
SGD	Open Short	08-Sep-15			1.4216		9.83
TWD	Short	31-Aug-15			33.129		7.93
INR	Flat	24-Sep-15			66.1563		-6.02
THB	Short	19-Aug-15			36.266		7.73
MYR	Close Short	23-Sep-15			4.3740		32.74
IDR	Short	22-Sep-15			14684.00		6.54
PHP	Short	24-Sep-15			46.830		3.78
INDEX	SIGNAL	SIGNAL DATE	ENTRY PRICE	STOP	CURRENT PRICE	OPEN P&L (%)	12-Month Total Return (%)
SPX	Close Short	22-Sep-15			1932.24		13.96
BOND	SIGNAL	SIGNAL DATE	ENTRY YIELD	STOP	CURRENT YIELD	OPEN P&L (bps)	12-Month Total Return (bps)
US10Y	Flat	24-Sep-15			2.1266		33.46
<ul style="list-style-type: none"> * 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, Sweden, Switzerland, Finland, Denmark, Netherlands, Ireland, Portugal and Greece; modest net outflows from US, Canada, Japan, Germany, France, Norway, Belgium, Austria, Spain, Italy, Australia and New Zealand.

For emerging markets:

- China has seen considerable net outflows in the past week, with the Shanghai Comp Index down about 3% in the past three trading days. Concerns about the economic slowdown continued to weigh on investor sentiment. The Asian Development Bank cut its growth forecast for China, together with the weak PMI data, added fears that a slowdown in economy may spread more widely. South Korea, India, Thailand, Philippines and Indonesia have seen modest net inflows, while Taiwan and Malaysia have seen modest net outflows.
- Brazil and Peru have seen net inflows, while Colombia and Chile have seen net outflows.
- Mexico continued to see net inflows.
- South Africa has attracted net inflows.
- Russia has seen net outflows, with the MICEX index down about 4.5% in the past week. Poland has seen modest net inflows, while Hungary, Czech Republic and Turkey have seen modest net outflows.



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



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

