

## Strategy In-Depth

22 December 2006 | 5 pages

## Fun with Flows

### One Billion Inflow to Asia for Christmas!

- 2006 ends with a resurgence of strong inflows into Asia** — Inflows to all Asia-dedicated equity funds accelerated to US\$1.05bn in the week ended December 20th compared with US\$692mn/week on average in the preceding month. Total net inflows are now US\$6.1bn for the past fourteen weeks, almost twice the amount taken in during the same period in 2005.
- Greenback weakness lures investors to seek non-USD assets** — Contrast the strong pickup in new money to Asia, inflows to International equity funds (with their U.S. weighting at 40%) were just US\$48mn this week versus US\$1.7bn last week. Year-to-date, total inflows to International funds represent 7% of their AUM compared with 26% in the case of Asian funds.
- Foreign investors buying into China's strong currency and high growth themes** — Inflows to China country funds doubled to US\$483mn this week, while Greater China funds took in another US\$242mn. Consequently, net cash taken in by these two categories soared to a record US\$725mn and took YTD total inflows to US\$10bn, i.e. 62% of the new money to Asia this year targets China.
- Bank of Thailand policy uncertainty discourages foreign investors** — Net sell by all foreigners was at a record US\$699mn last Tuesday. And the reversal of the policy a day later did not stop foreigners from selling. As a result, total net sell surged to the biggest ever US\$813mn in the week ended December 20<sup>th</sup>.
- Seasons greeting and a prosperous 2007 to all readers!**

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**Figure 1. Weekly flows to country funds**

US\$m	12/20/2006	Past 4-wk Total	YTD Total	Same period in '05
China	483.1	1205.6	5994.4	567.2
Hong Kong	45.1	249.3	639.3	-131.1
India	10.5	-118.4	1643.1	2806.4
Indonesia	-1.0	-6.0	10.7	-19.0
Korea (South)	-0.6	-74.3	-88.5	42.6
Malaysia	12.4	98.7	100.2	69.8
Philippines	-1.0	6.6	16.9	NA
Singapore	50.8	180.0	651.0	211.4
Taiwan	8.2	119.8	599.0	752.7
Thailand	-15.4	-11.5	152.6	69.8

 Source: EmergingPortfolio.com Fund Research, Citigroup Investment Research
 

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See page 4 for Analyst Certification and important disclosures.

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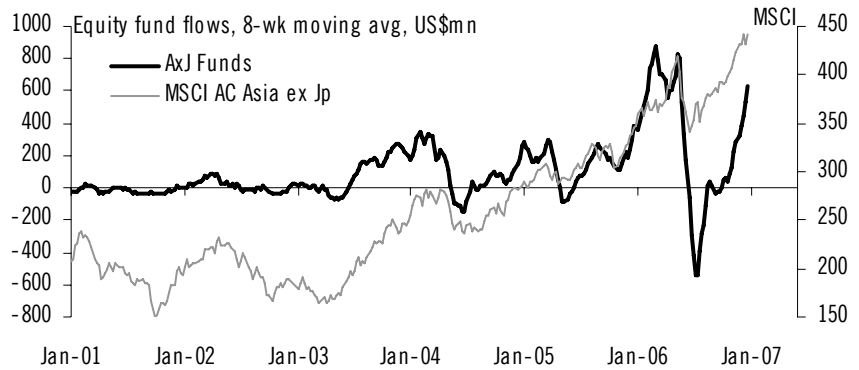
Inflows to all Asia-dedicated equity funds soared to US\$1.05bn in the week ended December 20th compared with US\$692mn/week on average in the preceding month. Total net inflows are now US\$6.1bn for the past fourteen weeks, almost twice the amount taken in during the same period in 2005.

Inflows to Global Emerging Market equity funds decelerated to just 10% of the amount received last week. Year-to-date, net inflows total US\$4.6bn or 28% of the foreign money into Asia.

Contrast the strong pickup in new money to Asia, inflows to International equity funds (with their U.S. weighting at 40%) were just US\$48mn this week versus US\$1.7bn last week. Year-to-date, total inflows to International funds represent 7% of their AUM compared with 26% in the case of Asian funds.

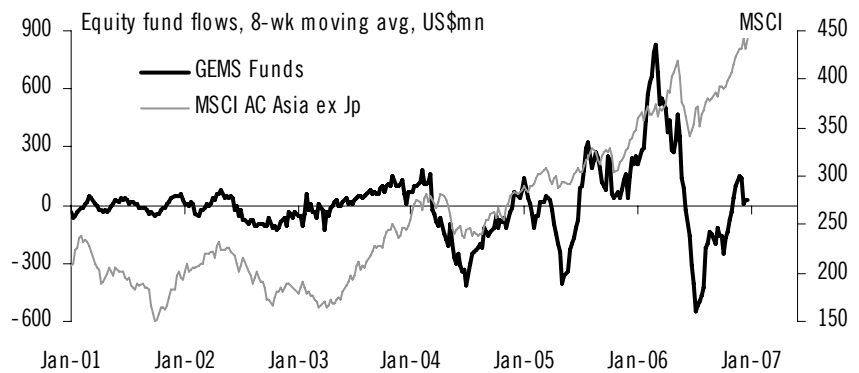
## Weekly Flow of Funds (in U.S. dollar)

**Figure 2. Asia ex Japan Regional and Country Equity Funds**



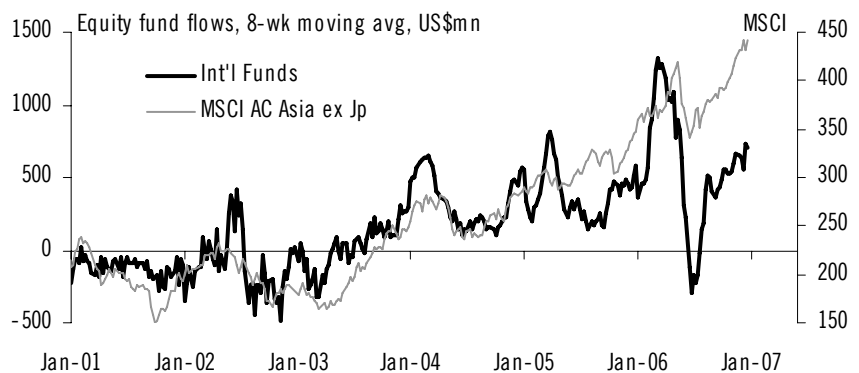
Source: EmergingPortfolio.com Fund Research, MSCI, Citigroup Investment Research

**Figure 3. Global Emerging Market Equity Funds**



Source: EmergingPortfolio.com Fund Research, MSCI, Citigroup Investment Research

**Figure 4. International Equity Funds (Invest Both Emerging and Developed Markets)**

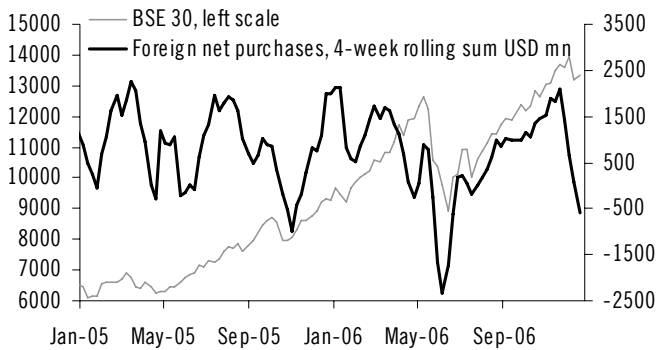


Source: EmergingPortfolio.com Fund Research, MSCI, Citigroup Investment Research

## Net Purchases/Sales by Foreign Investors

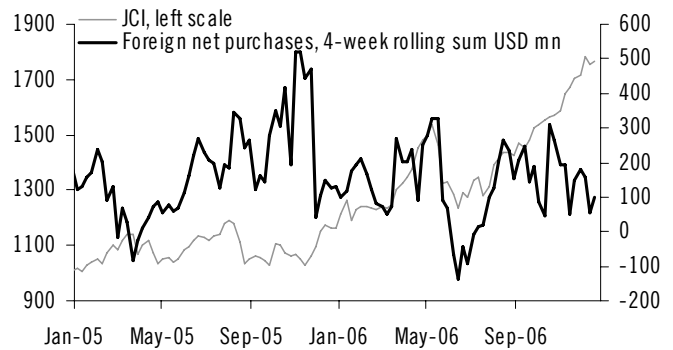
The Bank of Thailand policy uncertainty has undoubtedly damaged foreign investment sentiment. Net sell by all foreigners was at a record US\$699mn last Tuesday. And the reversal of the policy a day later did not stop foreigners from selling. As a result, total net sell surged to the biggest ever US\$813mn in the week ended December 20<sup>th</sup>.

Figure 5. India



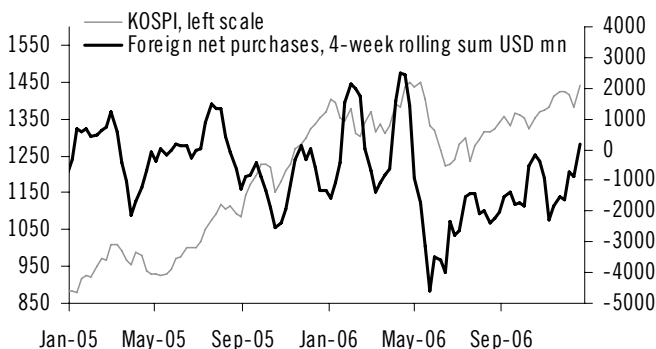
Source: CEIC, Datastream, Citigroup Investment Research

Figure 6. Indonesia



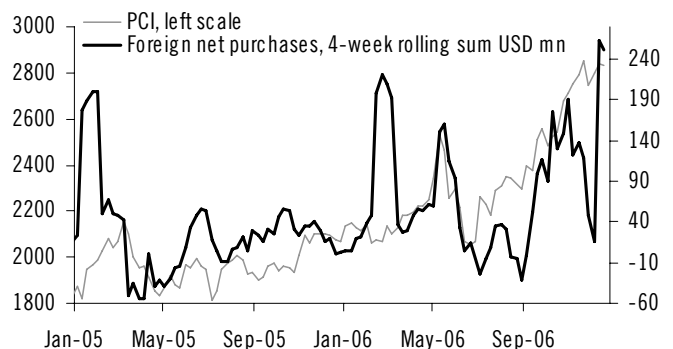
Source: CEIC, Datastream, Citigroup Investment Research

Figure 7. Korea



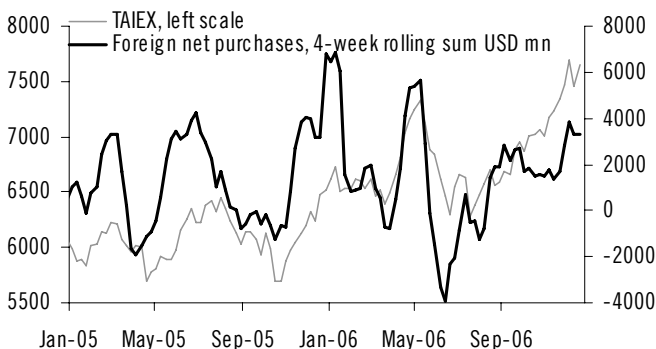
Source: CEIC, Datastream, Citigroup Investment Research

Figure 8. The Philippines



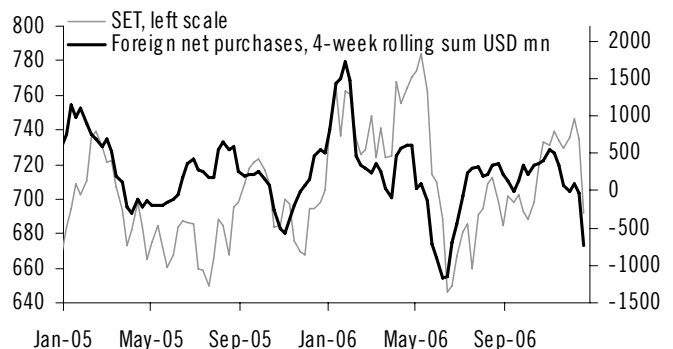
Source: CEIC, Datastream, Citigroup Investment Research

Figure 9. Taiwan



Source: CEIC, Datastream, Citigroup Investment Research

Figure 10. Thailand



Source: CEIC, Datastream, Citigroup Investment Research

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