

Fun With Flows

Slower Inflows Despite Stronger Asian Markets

- Inflows to offshore Asian funds decelerate from US\$1.1bn to just US\$295m** — But Asian markets rose 3.4% and turnover increased 8.3% in the week ended 4 April. Either domestic funds or local individual investors supported the markets.
- India and Singapore country funds take in 30% of new money to Asia** — Unlike most other country funds that still face redemptions, India and Singapore funds received net cash for a second week. The difference between these two investments, however, is that inflows to India funds are under water (the BSE Sensex has declined in the past two weeks) while new investment in Singapore funds has been profiting thus far.
- Foreign investors returning to Korea and Taiwan** — Of the US\$3.9bn foreign net purchases in emerging Asian markets over the past 2 weeks, the majority targeted Taiwan and Korea equities (US\$1.7bn and US\$0.7bn, respectively). Net purchases in the Philippines reached US\$415m, close to foreigners' total net buying in India. But the market cap of the former is just 9% of the latter.
- Abundant liquidity to global equity funds** — In contrast to the decelerating inflows to Asian funds, money going to global equity funds increased 33% WoW to US\$1.7bn. As highlighted in our last *Weekly*, Asian markets did not benefit much from the strong inflows to global funds. Net selling of Asian equities by these funds was at a record high in February, when they offloaded Asian weight.

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Figure 1. Weekly flows to country funds

| US\$m | Mar 29-Apr 4, 07 | Past 4-wk Total | YTW Total | Same period in '06 |
|---------------|------------------|-----------------|-----------|--------------------|
| China | -8.6 | -23.5 | -422.9 | 2,807.6 |
| Hong Kong | -3.5 | -153.9 | -243.4 | 391.2 |
| India | 63.9 | 233.1 | -681.9 | 1,769.0 |
| Indonesia | -1.4 | -2.5 | -14.9 | 27.8 |
| Korea (South) | -17.4 | -30.0 | 9.4 | 542.5 |
| Malaysia | -0.01 | -71.7 | 291.7 | 70.4 |
| Philippines | N/A | 10.6 | 9.3 | 3.6 |
| Singapore | 26.5 | 123.0 | 641.9 | 127.2 |
| Taiwan | 1.7 | -2.4 | 259.0 | 632.4 |
| Thailand | -3.9 | -20.8 | -147.9 | 155.9 |

Source: EmergingPortfolio.com Fund Research and Citigroup Investment Research

See Appendix A-1 for Analyst Certification and important disclosures.

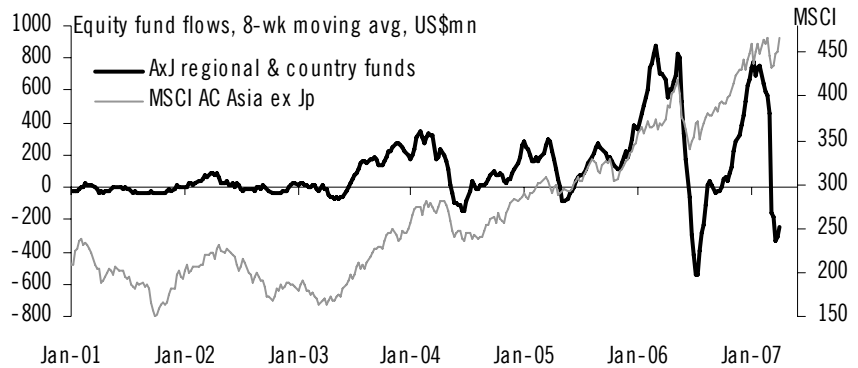
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¹Citigroup Global Markets Asia

Weekly Flow of Funds (in US dollars)

Inflows to offshore Asian funds decelerated from US\$1.1bn to just US\$295m in the week ended 4 April. Nevertheless, Asian markets rose 3.4% and turnover was up 8.3%. Either domestic funds or local individuals were the major supporters of the markets.

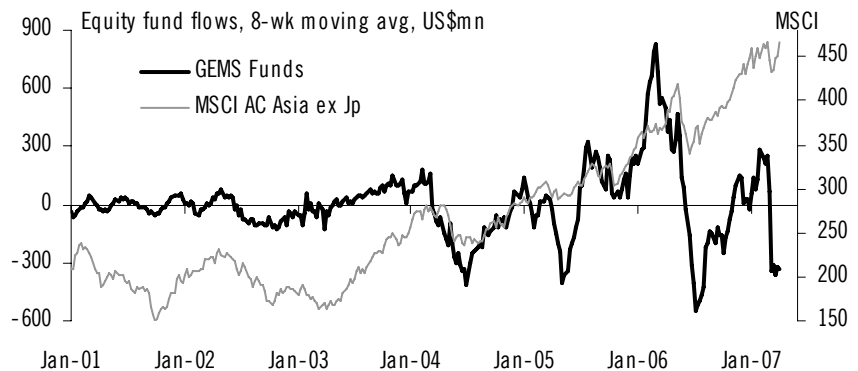
Figure 2. Asia ex Japan Regional and Country Equity Funds



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

Inflows to Global Emerging Market funds slowed 62% week-on-week to US\$267m, taking total outflows of the first quarter down to US\$491m versus net inflows of US\$1.4bn to all Asia-dedicated funds. Back in 1Q06, inflows to GEM and Asian funds were around US\$8-9bn individually.

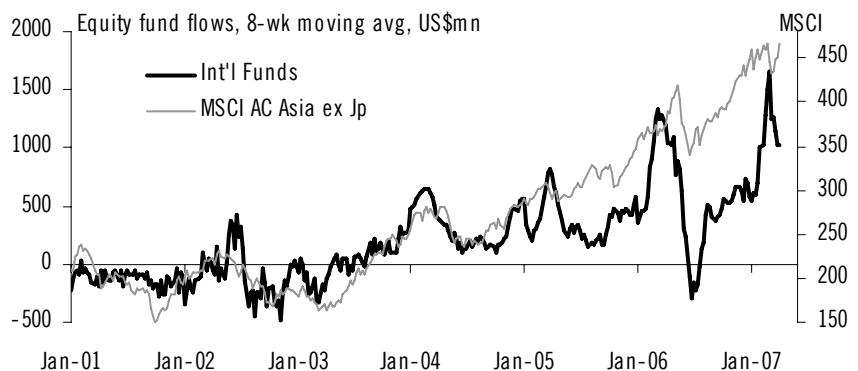
Figure 3. Global Emerging Market Equity Funds



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

Contrasting the decelerated inflows to Asian funds, money going to Global equity funds increased 33% WoW to US\$1.7bn. As highlighted in our last *Weekly*, Asian markets did not benefit much from the strong inflows to global funds. Net selling of Asian equities by these funds was at record high in February when they offloaded Asian weight.

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



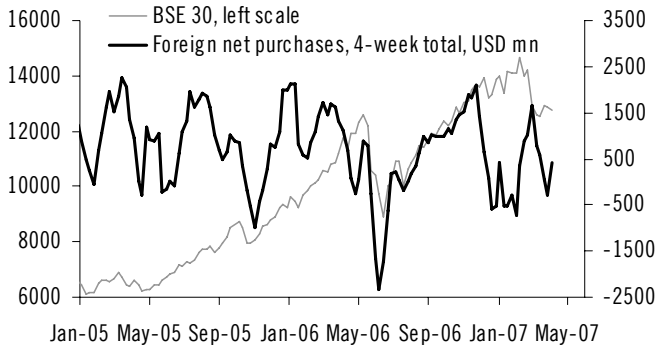
Source: EmergingPortfolio.com Fund Research, MSCI, Citigroup Investment Research

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Net Purchases/Sales by Foreign Investors

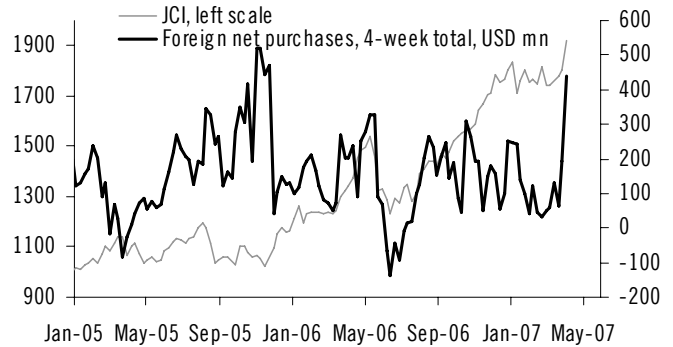
Of the US\$3.9bn foreign net purchases in emerging Asian markets over the past two weeks, the majority targeted Taiwan and Korea equities (US\$1.7bn and US\$0.7bn respectively). Meanwhile, net purchases in the Philippine market reached US\$415m, which is close to foreigners' total net buying in India. But the market cap of the former is just 9% of the latter.

Figure 5. India



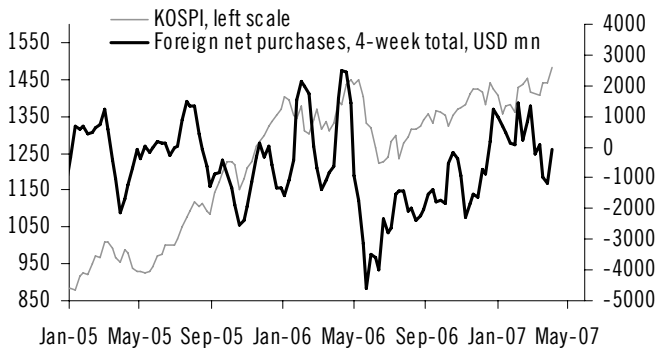
Source: CEIC, Datastream, Citigroup Investment Research

Figure 6. Indonesia



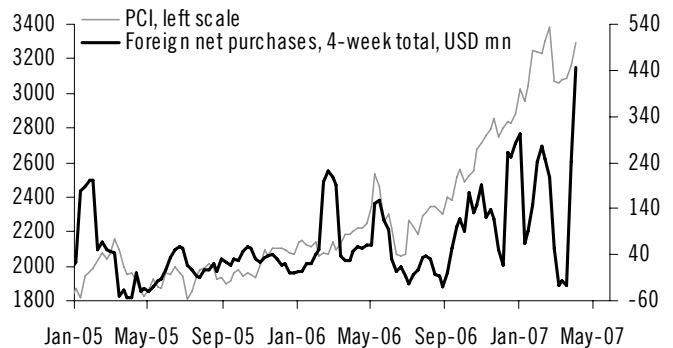
Source: CEIC, Datastream, Citigroup Investment Research

Figure 7. Korea



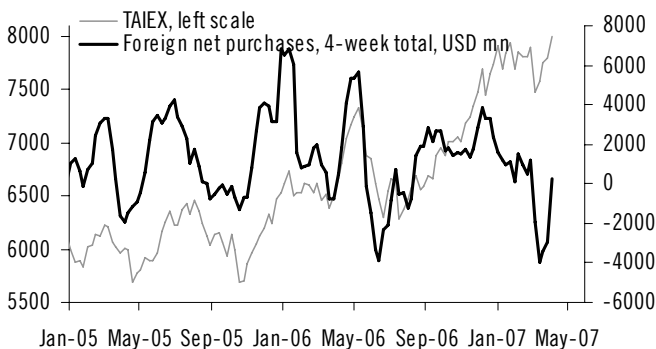
Source: CEIC, Datastream, Citigroup Investment Research

Figure 8. The Philippines



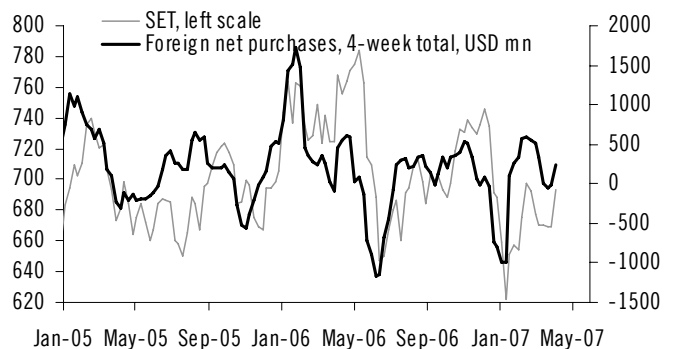
Source: CEIC, Datastream, Citigroup Investment Research

Figure 9. Taiwan



Source: CEIC, Datastream, Citigroup Investment Research

Figure 10. Thailand



Source: CEIC, Datastream, Citigroup Investment Research

Appendix A-1

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