

# GEMs FI & FX Strategy Watch

## Real Money Tracker – Rehabilitating underweight positions

In January, on an aggregate basis, funds increased their bond holdings and slightly reduced their FX exposure (in absolute terms) to the top nine countries in the GBI-EM Global Diversified Index. The underweight positions in bonds reduced to 3.27% and underweight positions in FX increased to 0.69%. Cash levels reduced to 4.97% (Exhibit 30). The January data shows funds reducing their duration exposure to 5.60 years (Exhibit 31). Overweight positions are concentrated in Colombia and South Africa.

### Bonds – Colombia most favored, Thailand most underweight

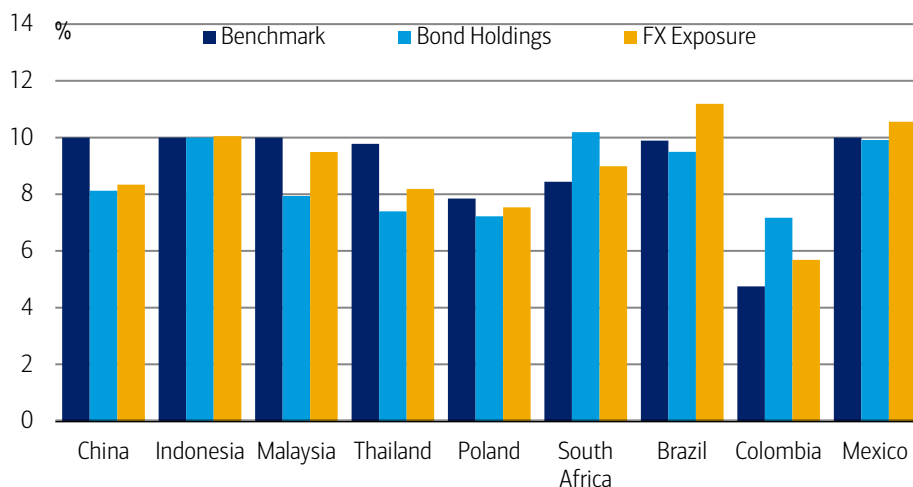
Colombia (2.42% overweight) bonds continued to be most favoured by funds we track followed by South Africa (1.75%). In January, funds continued to remain underweight in China, Malaysia, Thailand, Poland, Brazil and Mexico.

### FX – BRL followed by COP most overweight

In January, BRL (1.30% overweight) was the most favored currency by GBI-EM indexed funds we track followed by COP. Funds continued to be overweight in ZAR, MXN and IDR and remained underweight in CNY, MYR, THB and PLN.

#### Exhibit 1: Emerging Markets Bond holdings and FX exposure in Jan-23

Colombia bonds and BRL most favored in the EM



Source: BofA Global Research, Fund factsheets

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For the previous edition of our Real Money Tracker, please see [GEMs FI & FX Strategy Watch: Real Money Tracker – Playing defense 15 February 2024](#)

11 March 2024

GEM FI & FX Strategy  
Global

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GBI-EM = Global Bond Index  
Emerging Markets

CGBs = China Government Bonds

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Timestamp: 10 March 2024 08:09PM EDT

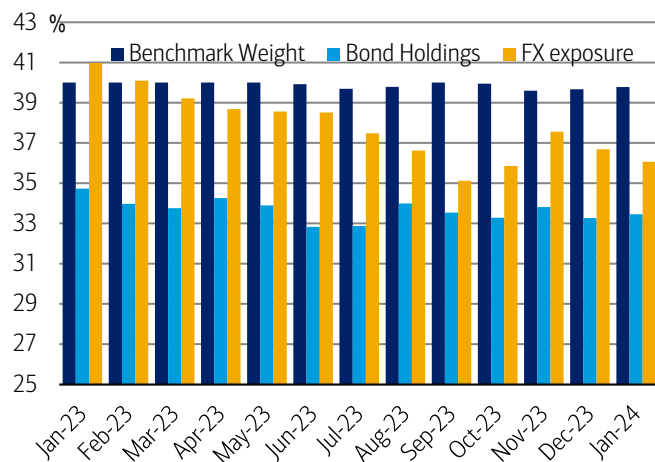
# Executive Summary

## Asia

EM Asia's benchmark weight (includes China, Indonesia, Malaysia and Thailand) marginally increased in January. In absolute terms, bond holdings increased while FX exposure reduced from the levels in December. In relative terms, funds we track slightly reduced their underweight positions in Asia bonds and increased their underweight positions in Asia FX.

### Exhibit 2: Asia

Funds increased underweight positions in FX; slightly reduced underweight in bonds



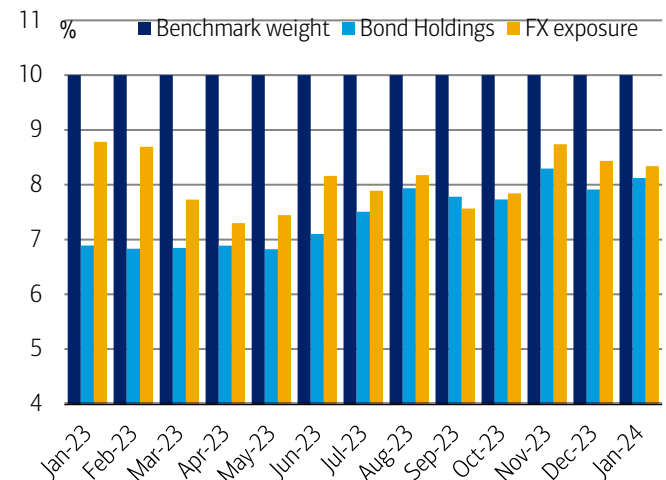
Source: BofA Global Research, Fund factsheets

Note: Asia region includes the countries – China, Indonesia, Malaysia, and Thailand

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### Exhibit 3: China: Funds' exposure to Chinese bonds and FX

Funds increased their absolute exposure to bonds but reduced absolute exposure in CNY



Source: BofA Global Research, Fund factsheets

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- **China:** Benchmark weight continued to be at 10% in January. Funds we track increased their absolute exposure to China bonds but reduced their absolute exposure to CNY. In relative terms, underweight positions in bonds reduced to 1.88% and underweight positions in CNY increased to 1.66% respectively when compared to the benchmark (Exhibit 3).
- **Indonesia:** Benchmark weight remained the same at 10% in January. Absolute exposure to bonds slightly increased and absolute exposure to IDR reduced. In relative terms, underweight positions in bonds turned neutral and overweight positions in IDR reduced. Specifically, as of end January, funds we track held neutral positions in bonds and were 0.05% overweight in FX (Exhibit 6).
- **Malaysia:** Malaysia's benchmark weight remained the same at 10% in January. Funds reduced their absolute exposure to bonds and increased their absolute exposure to MYR. In relative terms, underweight positions in bonds slightly increased to 2.06% and underweight in FX reduced to 0.51% (Exhibit 9).
- **Thailand:** Thailand's benchmark weight increased to 9.78% in January. In absolute terms, funds increased their exposure to Thai bonds and reduced their exposure to THB. Underweight positions in Thai bonds slightly increased to 2.39% and underweight positions in THB increased to 1.60% (Exhibit 12).

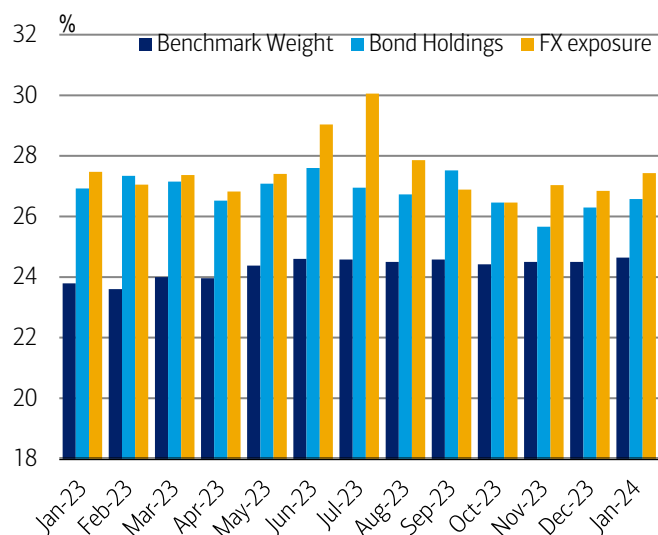
## CEEMEA

- CEEMEA's benchmark weight (comprising South Africa and Poland, removed Russia since Mar-22) increased to 16.29% in January. Funds increased their absolute exposure to CEEMEA bonds however, reduced their exposure to CEEMEA FX. Overweight positions in CEEMEA bonds increased and overweight positions in FX reduced. (Exhibit 5).

- **Poland:** Poland's benchmark weight increased to 7.85% in January. Funds increased their absolute exposure to both Polish bonds and PLN. Underweight positions in bonds reduced while those in PLN increased. Specifically, funds we track were 0.63% underweight in bonds and 0.32% underweight in PLN as of January-end (Exhibit 24).
- **South Africa:** South Africa's benchmark weight slightly reduced to 8.44% in January. Funds increased their absolute exposure to South Africa bonds however, reduced their exposure to ZAR. In relative terms, the overweight positions in bonds increased but those in FX reduced. Specifically, funds we track were 1.75% overweight in bonds and 0.55% overweight in ZAR as of January-end. (Exhibit 27).

**Exhibit 4: LatAm**

Funds increased absolute exposure to bonds and FX

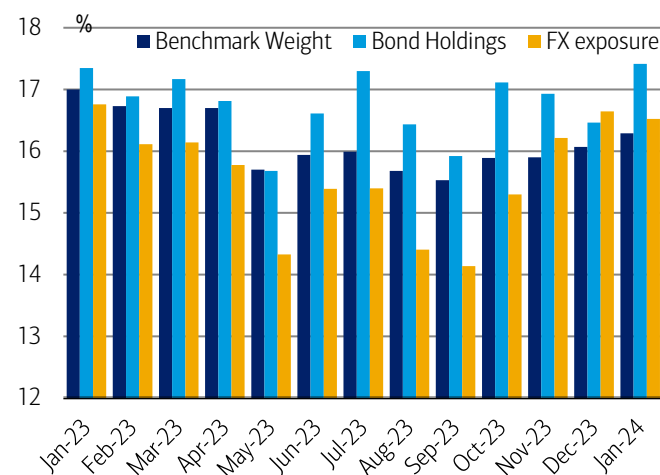


Source: BofA Global Research, Fund factsheets

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**Exhibit 5: CEEMEA**

Funds increased their absolute exposure to bonds; reduced exposure to FX



Source: BofA Global Research, Fund factsheets

Note: CEEMEA region includes the countries – Poland, Russia and South Africa till Feb-22, only Poland and South Africa from Mar-22

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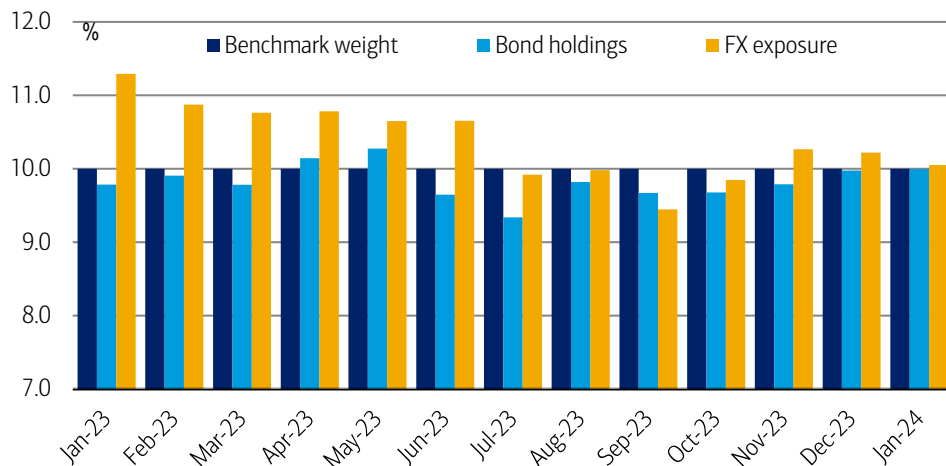
**LatAm**

- LatAm's benchmark weight (comprising Brazil, Colombia and Mexico) increased in January. Funds we track increased their exposure to bonds as well as FX in absolute terms. In relative terms, overweight positions in both bonds and FX increased (Exhibit 4).
- **Brazil:** Brazil's benchmark weight slightly reduced to 9.89% in January. Funds we track also reduced their exposure to bonds but increased their exposure to BRL in absolute terms. In relative terms, underweight positions in bonds slightly reduced and overweight positions in BRL increased. Specifically, funds were 0.39% underweight in bonds and 1.30% overweight in BRL. In January, BRL was the most favored amongst the EM currencies we track (Exhibit 15).
- **Colombia:** Colombia's benchmark weight increased to 4.75% in January. Funds we track increased their absolute exposure to both bonds and COP. Specifically, funds reduced their overweight positions in bonds to 2.42%. Overweight positions in COP increased to 0.94%. Colombia bonds continued to be the most favored amongst EM countries we track (Exhibit 18).
- **Mexico:** In January, Mexico's benchmark weight stayed at 10%. Funds we track increased their absolute exposure to bonds and but reduced their absolute exposure to MXN. Underweight positions in bonds reduced to 0.09%. Overweight positions in MXN reduced to 0.56% (Exhibit 21).

# Indonesia

## Exhibit 6: Funds' exposure to Indonesian bonds and FX

In relative terms, funds turned neutral in bonds and reduced their overweight positions in IDR

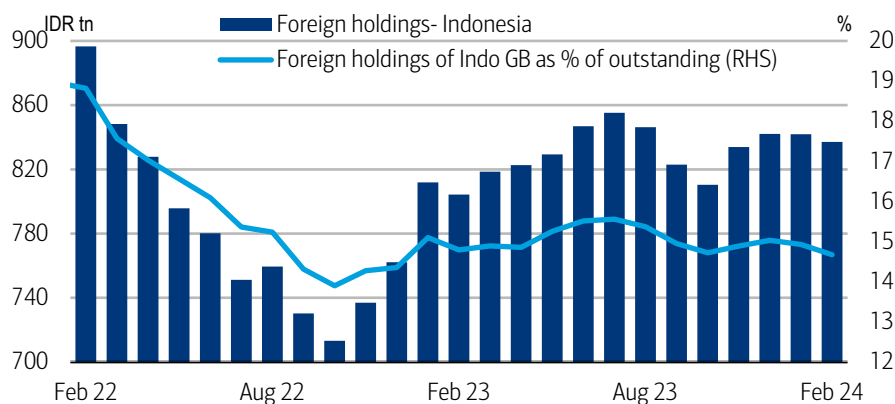


Source: BofA Global Research, Fund factsheets

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## Exhibit 7: Foreign holdings in Indonesia govt bonds

Foreign holdings as a % of outstanding slightly reduced in February

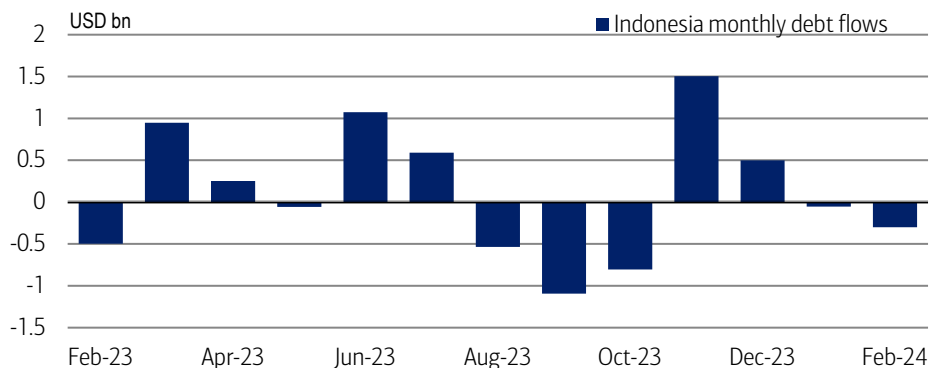


Source: BofA Global Research, DMO

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## Exhibit 8: Offshore monthly debt flows

Debt outflows in February



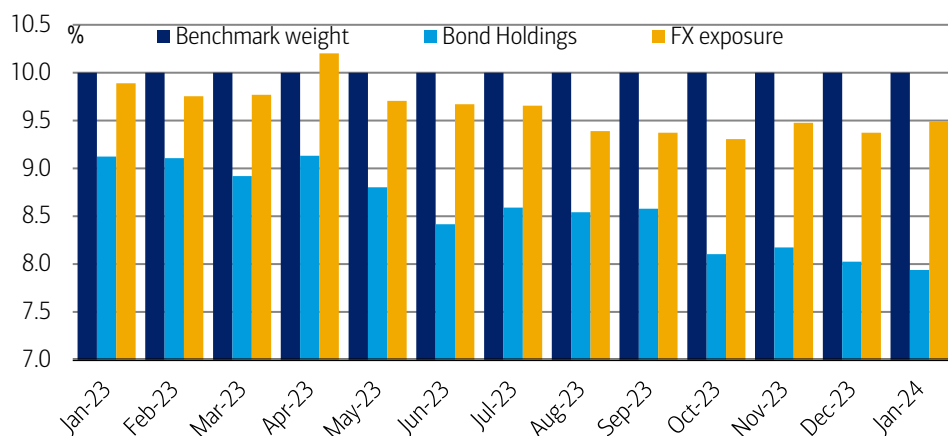
Source: BofA Global Research, Bloomberg

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# Malaysia

## Exhibit 9: Funds' exposure to Malaysian bonds and FX

Funds reduced absolute exposure to Malaysian bonds and but increased their absolute exposure in MYR

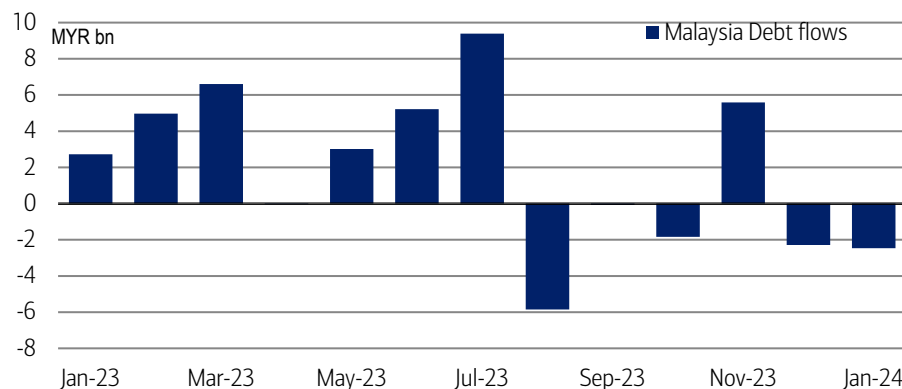


Source: BofA Global Research, Fund factsheets

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## Exhibit 10: Offshore monthly debt flows

Outflows observed in December & January

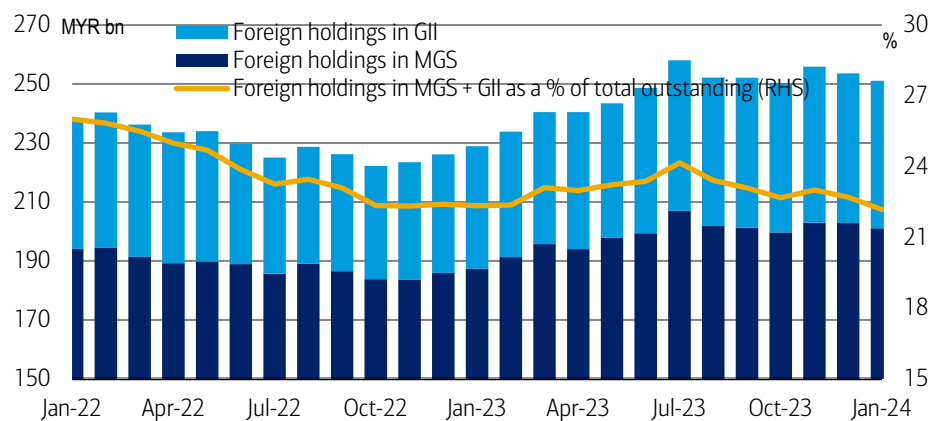


Source: BofA Global Research, BNM

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## Exhibit 11: Foreign holdings in MGS and GII

Foreign holdings as a % of outstanding further reduced in January



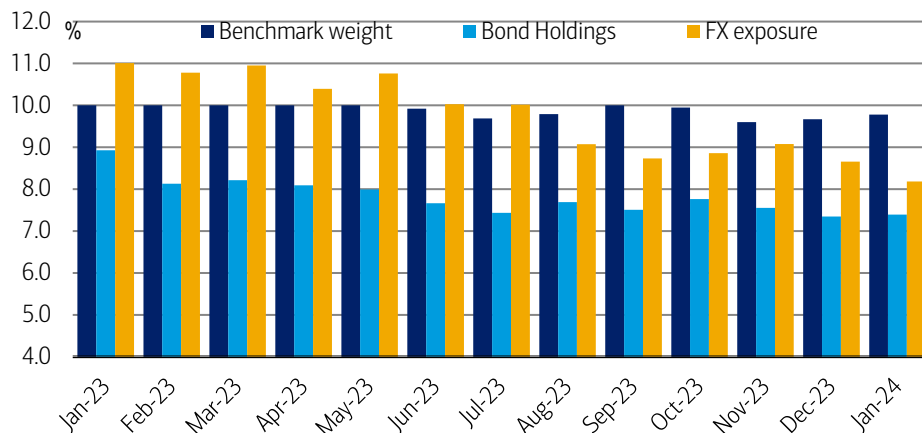
Source: BofA Global Research, BNM

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# Thailand

## Exhibit 12: Funds' exposure to Thai bonds and FX

Funds slightly increased absolute exposure to Thai bonds; reduced exposure to THB

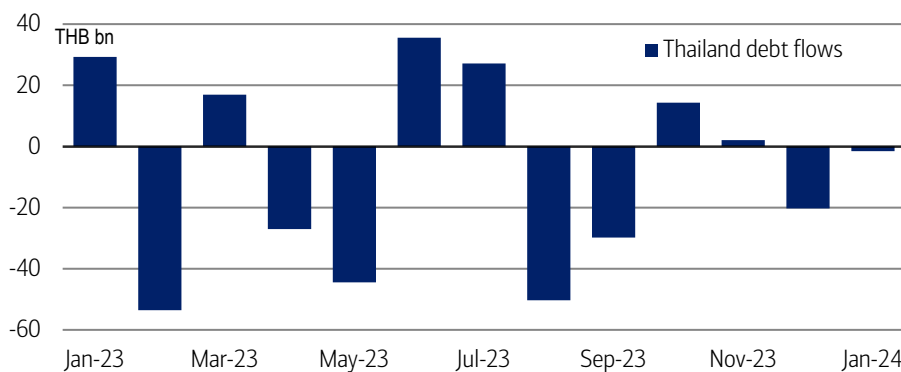


Source: BofA Global Research, Fund factsheets

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## Exhibit 13: Offshore monthly debt flows

Debt outflows reduce in January

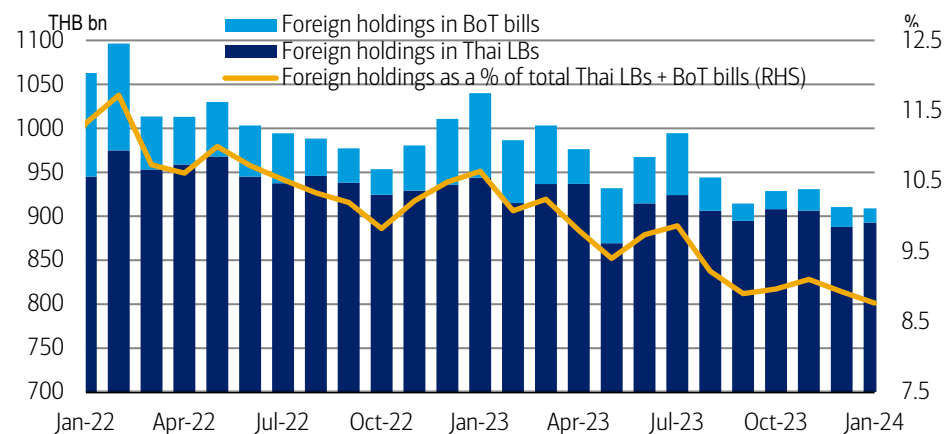


Source: BofA Global Research, Bloomberg

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## Exhibit 14: Foreign holdings in Thai LBs and BoT bills

Foreign holdings as a % of outstanding reduced in January



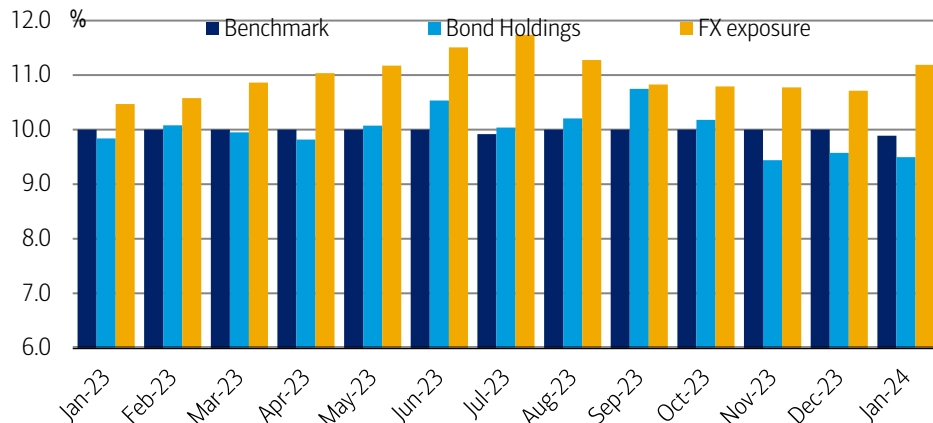
Source: BofA Global Research, BoT

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# Brazil

## Exhibit 15: Funds' exposure to Brazil bonds and FX

Underweight position in bonds reduced and overweight position in FX increased

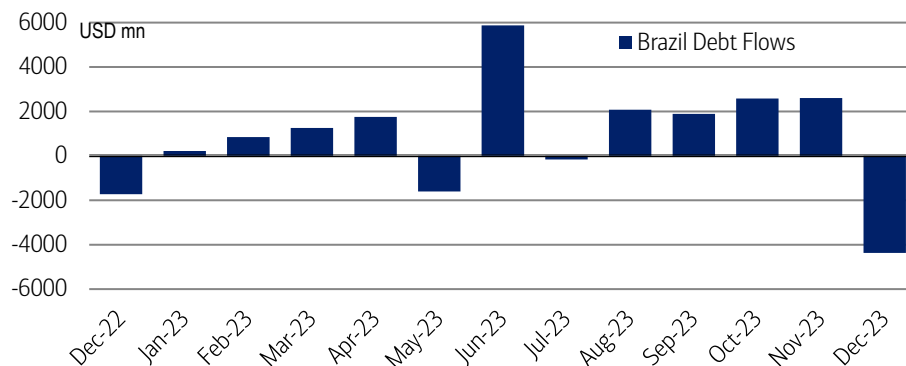


Source: BofA Global Research, Bloomberg

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## Exhibit 16: Offshore monthly debt flows

Debt outflows in December

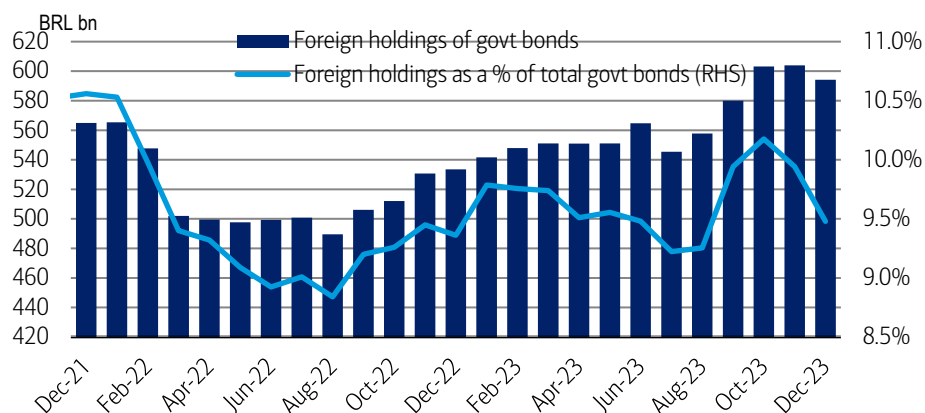


Source: BofA Global Research, Bloomberg

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## Exhibit 17: Foreign holdings in Brazil Govt bonds

Foreign holdings as a % of outstanding reduced in December



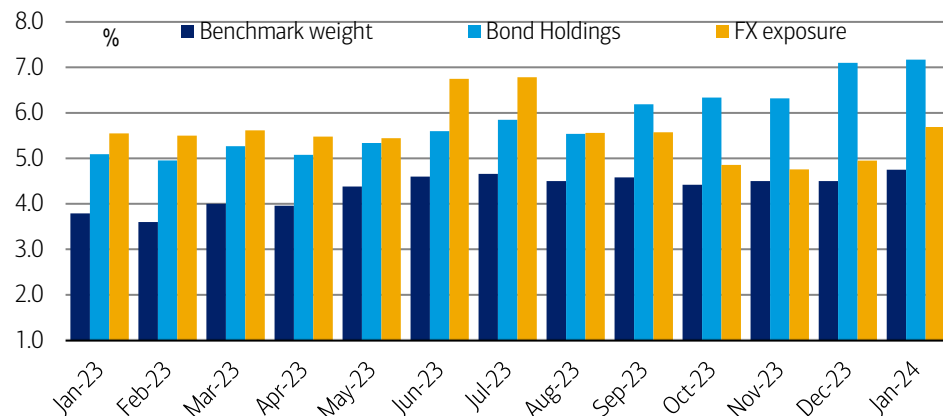
Source: BofA Global Research, Bloomberg

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# Colombia

## Exhibit 18: Funds' exposure to Colombian bonds and FX

Funds increased absolute exposure to both bonds and COP

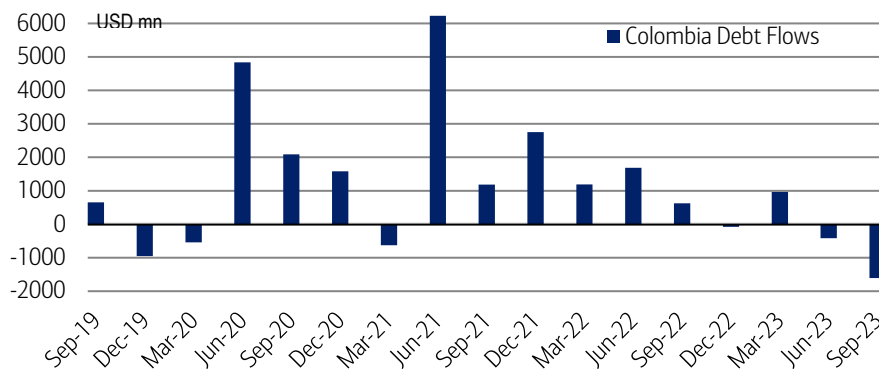


Source: BofA Global Research, Bloomberg

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## Exhibit 19: Offshore quarterly debt flows

Debt outflows observed in 3Q2023

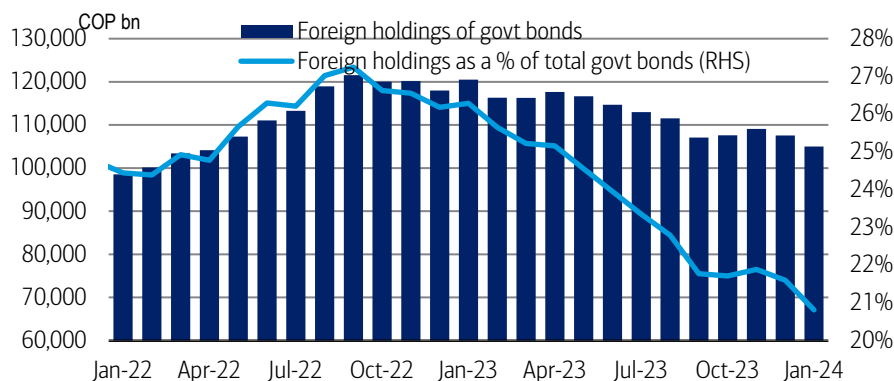


Source: BofA Global Research, Bloomberg

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## Exhibit 20: Foreign holdings in Colombian govt bonds

Foreign holdings as a % of outstanding further reduced in January



Source: BofA Global Research

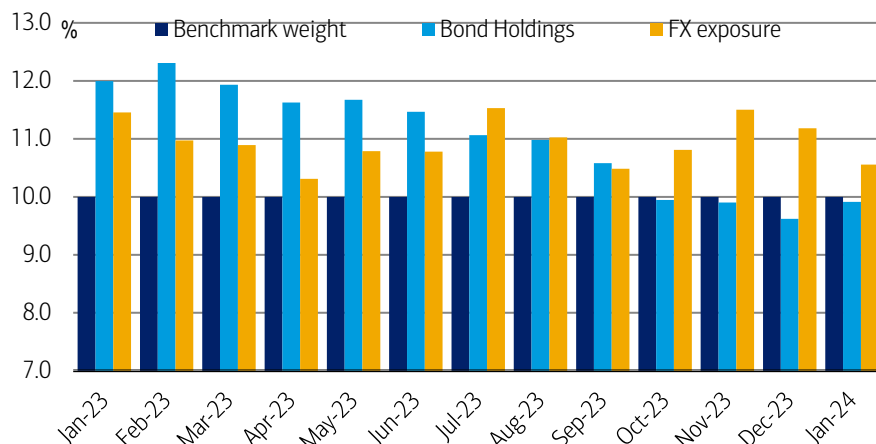
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# Mexico

## Exhibit 21: Funds exposure to Mexican bonds and FX

Funds increased their absolute exposure to bonds and but reduced their exposure to MXN

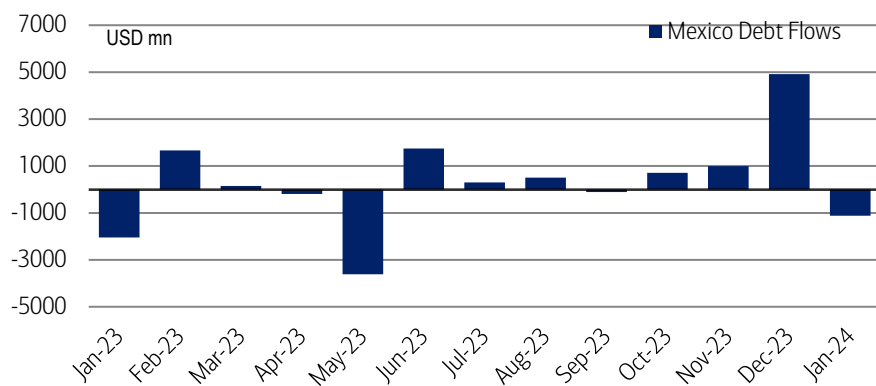


Source: BofA Global Research, fund factsheets

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## Exhibit 22: Offshore monthly debt flows

Mexico witnessed debt outflows in Jan-24

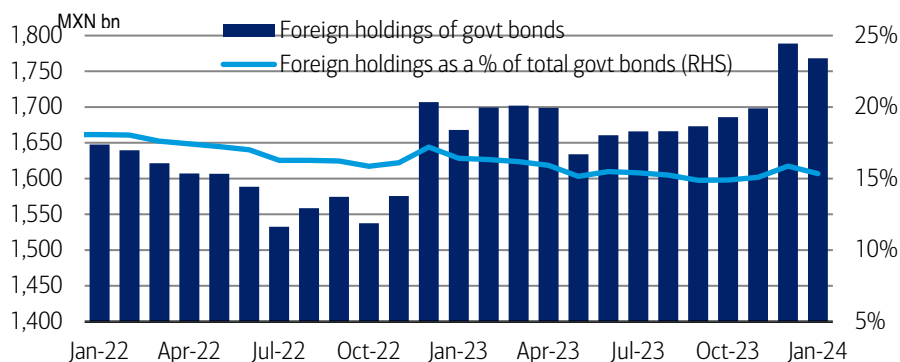


Source: BofA Global Research, Bloomberg.

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## Exhibit 23: Foreign holdings in Mexican govt bonds

Foreign holdings as a % of outstanding slightly reduced in January



Source: BofA Global Research

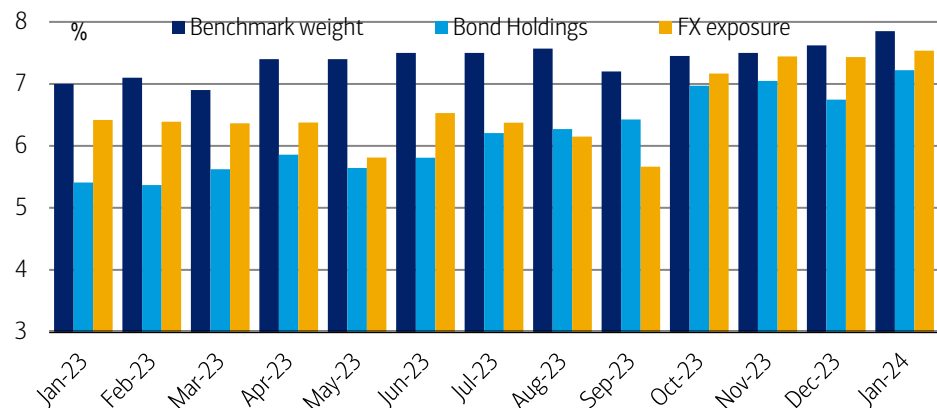
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# Poland

## Exhibit 24: Funds' exposure to Polish bonds and FX

Absolute exposure to both Polish bonds and PLN increased

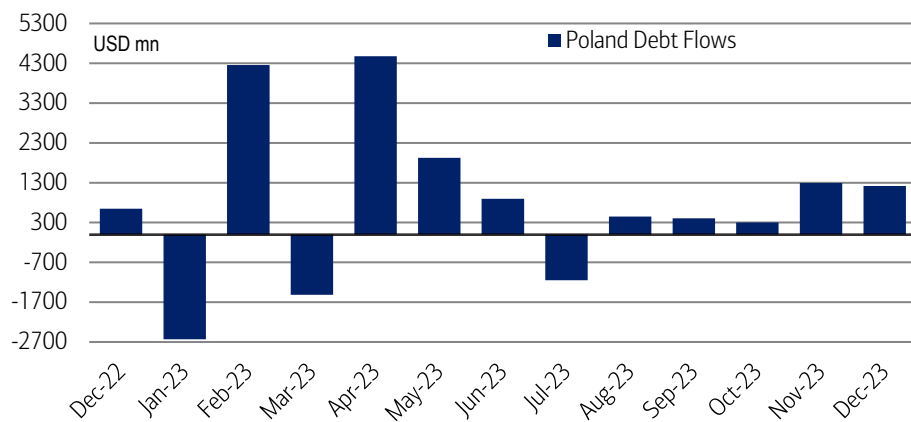


Source: BofA Global Research, Fund factsheets

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## Exhibit 25: Offshore monthly debt flows

Debt inflows in December

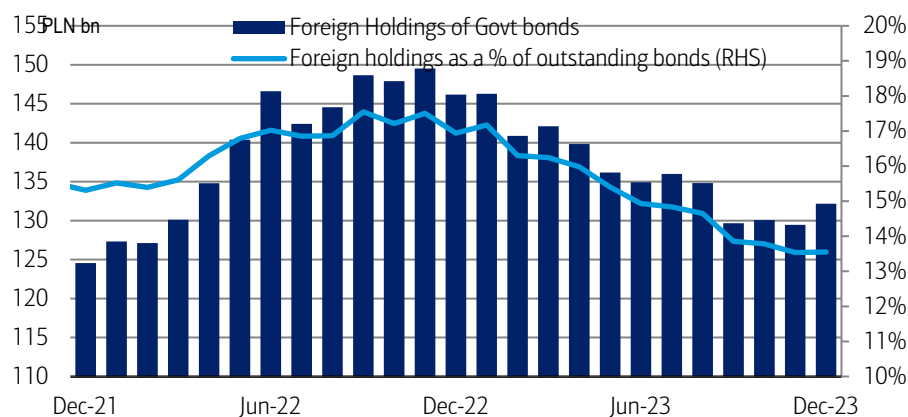


Source: BofA Global Research, Bloomberg

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## Exhibit 26: Foreign holdings in Polish govt bonds

Foreign holdings as a % of outstanding increased in Dec-23



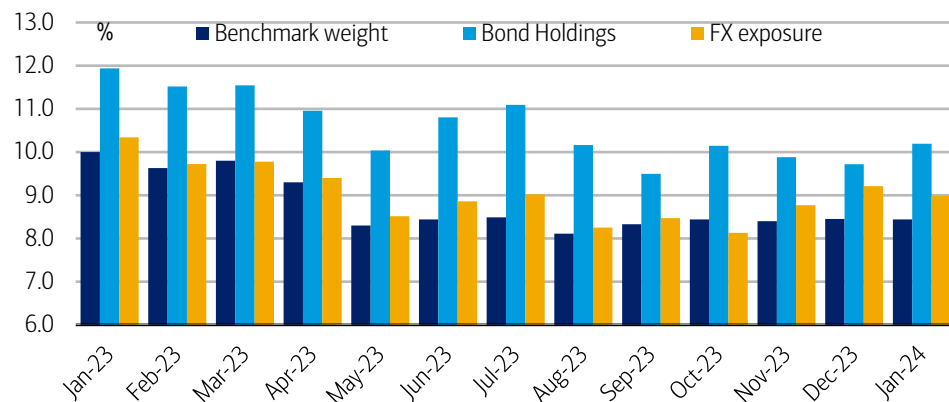
Source: BofA Global Research

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## South Africa

### Exhibit 27: Funds' exposure to South African bonds and FX

Funds increased their absolute exposure to bonds; reduced their exposure to ZAR

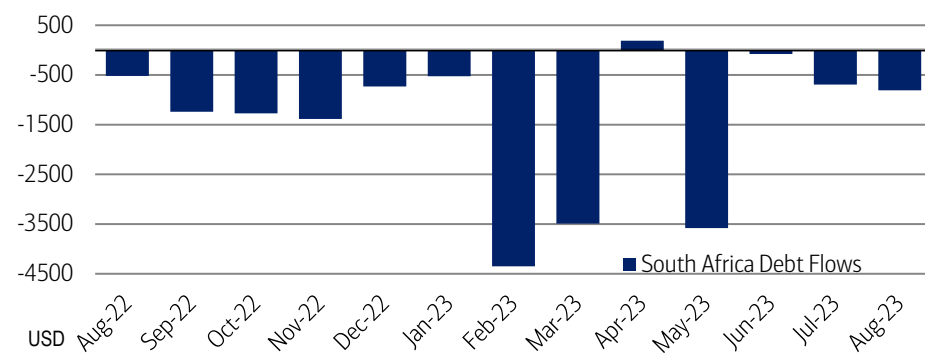


Source: BofA Global Research, fund factsheets

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### Exhibit 28: Offshore monthly debt flows

South Africa continues to witness debt outflows in Aug

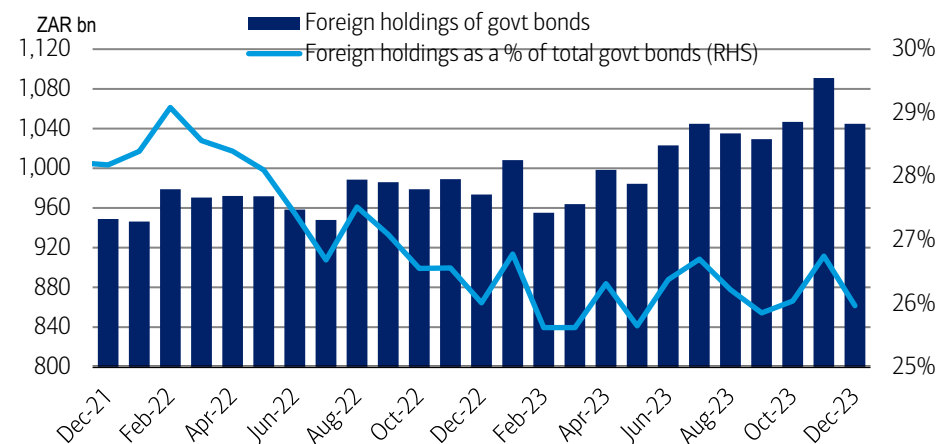


Source: BofA Global Research, Bloomberg

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### Exhibit 29: Foreign holdings of South African govt bonds

Foreign holdings as a % of outstanding reduced in Dec



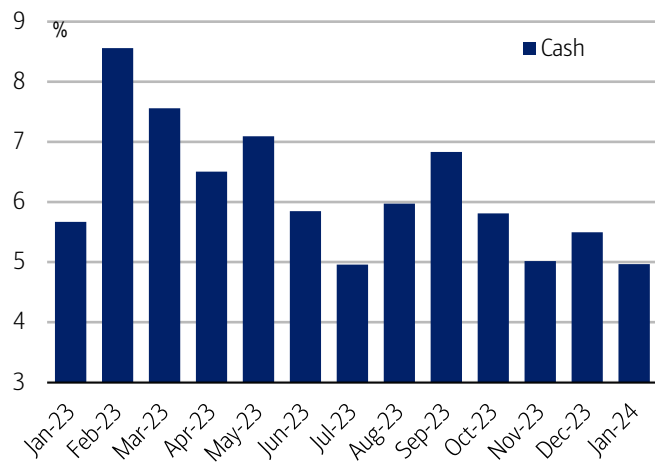
Source: BofA Global Research

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# Cash, Duration and Positioning

## Exhibit 30: Cash

Funds reduced their cash levels in Jan-24

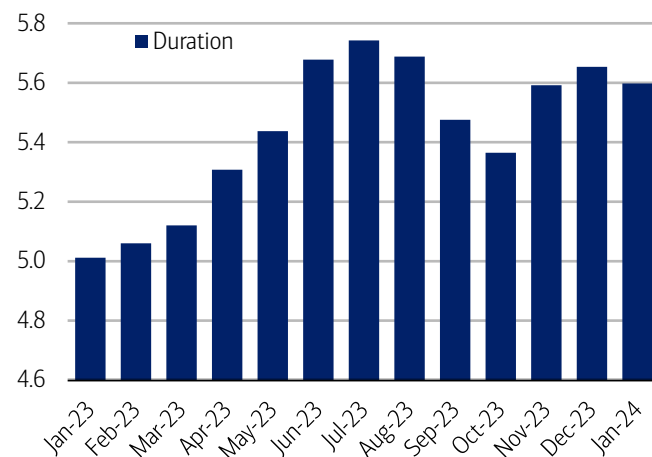


Source: BofA Global Research, Fund factsheets

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## Exhibit 31: Duration in years

Duration reduced in Jan-24



Source: BofA Global Research, Fund factsheets

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## Exhibit 32: Detailed table on positioning (%)

Bond and FX positioning (Jan-24 vs Dec-23)

	Benchmark	Bonds	Jan-24			OW/UW	Benchmark	Bonds	Dec-23			OW/UW
			OW/UW	FX	OW/UW				OW/UW	FX	OW/UW	
China	10.00	8.12	(1.88)	8.34	(1.66)	10.00	7.91	(2.09)	8.44	(1.56)		
Indonesia	10.00	10.00	(0.00)	10.05	0.05	10.00	9.98	(0.02)	10.22	0.22		
Malaysia	10.00	7.94	(2.06)	9.49	(0.51)	10.00	8.03	(1.97)	9.37	(0.63)		
Thailand	9.78	7.39	(2.39)	8.18	(1.60)	9.67	7.35	(2.32)	8.66	(1.01)		
Poland	7.85	7.22	(0.63)	7.53	(0.32)	7.62	6.75	(0.87)	7.43	(0.19)		
South Africa	8.44	10.19	1.75	8.99	0.55	8.45	9.72	1.27	9.21	0.76		
Brazil	9.89	9.50	(0.39)	11.19	1.30	10.00	9.58	(0.42)	10.71	0.71		
Colombia	4.75	7.17	2.42	5.69	0.94	4.50	7.10	2.60	4.95	0.45		
Mexico	10.00	9.91	(0.09)	10.56	0.56	10.00	9.62	(0.38)	11.18	1.18		
Total	80.71	77.44	(3.27)	80.02	(0.69)	80.24	76.03	(4.21)	80.18	(0.06)		

Source: BofA Global Research, fund factsheets

\*Benchmark – JP Morgan GBI-EM Global Diversified Index

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## Methodology

Each month we analyze the holdings of large local currency debt funds globally to determine fund managers' holdings of emerging markets local currency bonds. We use data from fund factsheets from the respective websites of each fund which are published on a monthly basis. We compare each fund's holdings versus the benchmark weights to establish overweight and underweight bond and FX positions. We aggregate these overweight and underweight positions (weighted averages on AUM) by country, region, bonds, and FX to determine how the GBI-EM benchmarked investors globally are positioned.

The total assets under management (AUM) of the 38 funds we track is about 32.5bn USD. However, we believe the data we present is representative of almost all the investors that track GBI-EM, which is about 250bn-300bn USD.

### Some considerations/assumptions

Generally, the fund factsheets give out numbers only for the top 10 exposures separately across bonds and FX. This means that if a particular country in the index does not figure in the top 10 holdings, we will not get to know their actual allocations. This might sometimes result in bigger swings in the actual holdings/exposure than what one would have anticipated.

Almost all the funds we track disclose their actual exposure in Brazil, Mexico, South Africa, Indonesia and Colombia. We also often get funds' exposure towards Thailand, Malaysia and Poland.

## Special Disclosures

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