

# Liquid Cross Border Flows

## Into month-end and the Fed

### Key takeaways

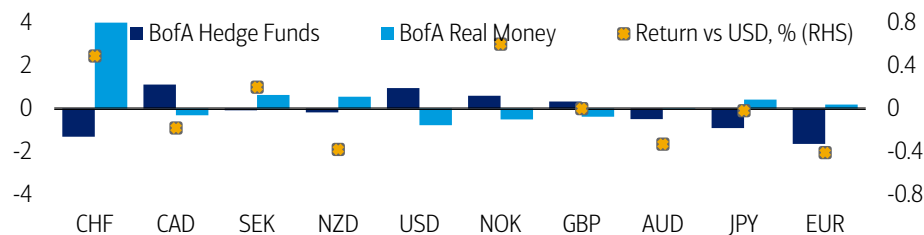
- In a week USD flows turned neutral, investors sold the EUR but corporate demand likely prevented further EUR weakness.
- The strong Real Money CHF buying stood out last week. CHF positioning still short. Positioning one reason we buy JPY vs EUR.
- Asia EM FX investor flows were light but corporate flows less so: demand in Asia & EMEA EM but LatAm dominated by BRL supply.

### Hedge Funds sold EUR but corporates saved the day

Investor FX flows turned less directional last week (Exhibit 1), but Hedge Funds' EUR selling stood out, likely amid the perceived as dovish ECB. We suspect EUR would have softened more without some—likely month-end related—corporate demand (Exhibit 2).

#### Exhibit 1: BofA weekly FX flows (2-year z-score) & returns vs USD (% (RHS))

Investor FX flows were less directional last week, but Hedge Funds' EUR selling stood out

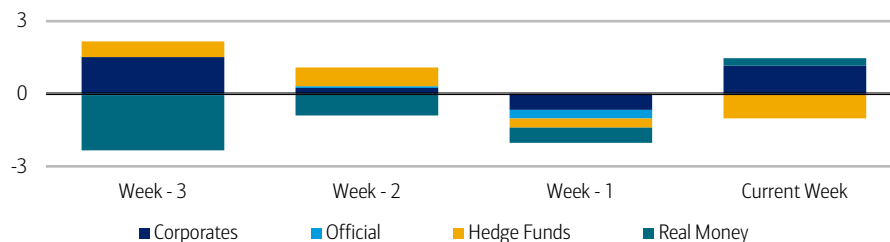


Source: BofA Securities, Bloomberg. Currencies ranked by their sum of z-scores for last week's flows

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#### Exhibit 2: BofA weekly indexed EUR flow

EUR may have weakened more without some—likely month-end related—corporate demand



Source: BofA Securities

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29 January 2024

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Refer to important disclosures on page 7 to 9. Analyst Certification on page 6. 12652240

Timestamp: 29 January 2024 11:38AM EST

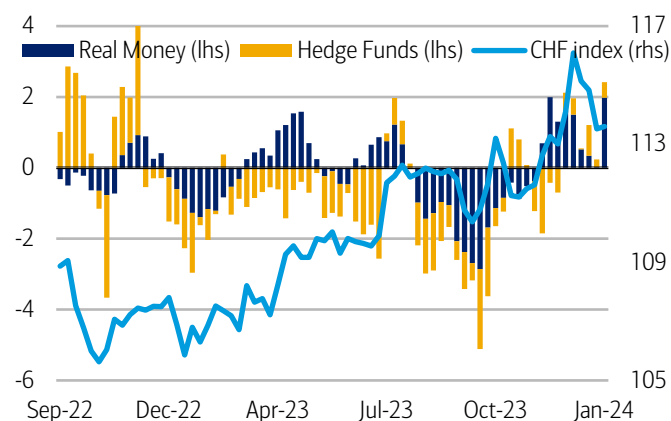
## Real Money CHF buying. EURJPY positioning neutral

The strong Real Money CHF buying also stood out last week (Exhibit 1). The - still short - CHF positioning could help explain the recent CHF strength, but our base case for higher EUR/CHF remains intact ([What's going on in EUR/CHF? 26 Jan 24](#)).

With investors having reduced their JPY longs in recent weeks (Exhibit 4), we chose to express our tactical JPY bullishness on the back of the BoJ against the EUR (see [Buy 3m EUR/JPY put spread 26 Jan 24](#); entry spot: 160.41, current: 159.68). Our motivation partly comes from the largely neutral EURJPY position (Exhibit 10).

### Exhibit 3: Investor 4-week CHF flows (z-score) and CHF TWI

The strong Real Money CHF buying also stood out last week

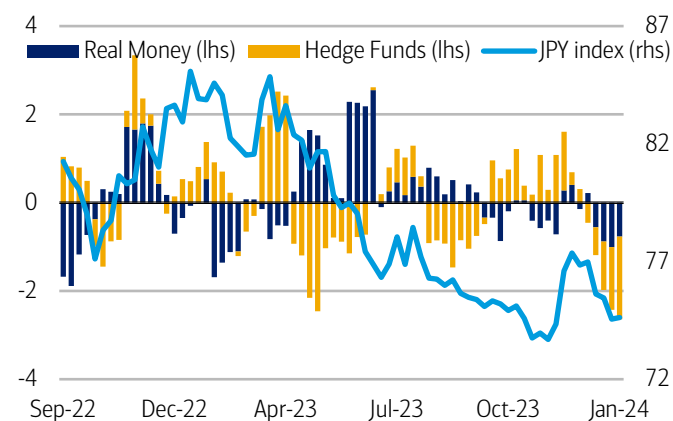


Source: BofA Securities, Bloomberg

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### Exhibit 4: Investor 4-week JPY flows (z-score) and JPY TWI

BofA investors have reduced their JPY longs in recent weeks



Source: BofA Securities, Bloomberg

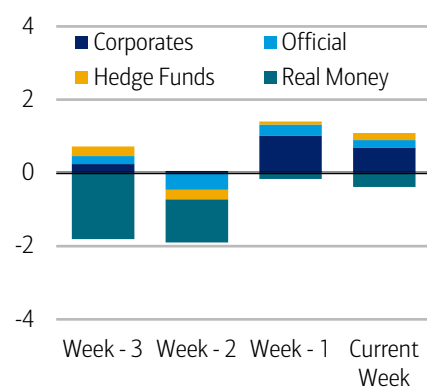
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## EM FX flows led by corporates

Investor EM FX flows were light last week—key flows were the Real Money CNY and MXN buying and the continued Real Money ILS selling (Exhibit 6)—but corporate flows less so: BofA corporates expressed demand for both Asia EM (led by CNH and THB) and EMEA EM (PLN and ILS). In LatAm, corporates bought COP, PEN, and CLP but the strong BRL supply stood out (Exhibit 5-Exhibit 7).

### Exhibit 5: BofA Asia EM weekly indexed flows

Corporate FX flows supported Asia EM...

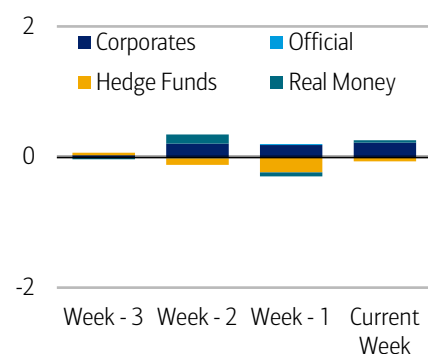


Source: BofA Securities

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### Exhibit 6: BofA EMEA EM weekly indexed flow

...and EMEA EM...

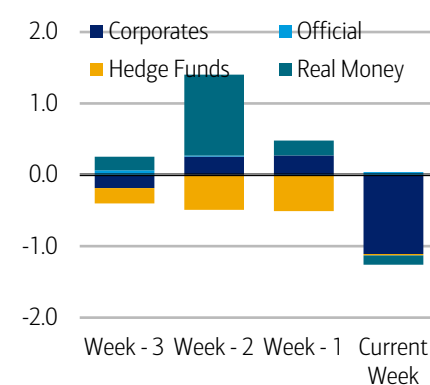


Source: BofA Securities

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### Exhibit 7: BofA LatAm weekly indexed flows

...but the strong BRL selling dominated in LatAm



Source: BofA Securities

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For more information and data files on flows and positioning, please see

[Liquid Cross Border Flows: Flows data 29 January 2024](#)

[Liquid Cross Border Flows: Positioning data 29 January 2024](#)

[Liquid Cross Border Flows: Charts and Tables 29 January 2024](#)

# Snapshot of flows

## Exhibit 8: Snapshot G10 FX flows (z-score)

BofA proprietary FX flows in the past four weeks

	Total				Corporate				Official				Hedge funds				Real money			
	t-3	t-2	t-1	t	t-3	t-2	t-1	t	t-3	t-2	t-1	t	t-3	t-2	t-1	t	t-3	t-2	t-1	t
USD	0.46	0.02	0.24	-0.40	-0.70	-0.41	-0.53	-0.35	-0.02	-0.12	-0.25	-0.31	-0.39	0.50	1.06	0.96	2.43	0.37	0.59	-0.77
EUR	0.20	0.34	-0.53	0.45	0.99	0.39	-0.03	0.81	0.23	0.48	-0.35	0.35	1.07	1.25	-0.63	-1.64	-1.99	-0.81	-0.57	0.19
JPY	-0.84	-0.93	-0.73	-0.02	0.76	0.15	0.67	-0.04	-0.70	-0.37	0.07	-0.12	-0.60	-1.30	-1.04	-0.90	-0.91	-0.46	-0.70	0.42
GBP	-0.10	0.69	0.38	0.14	-0.26	-0.04	0.37	0.15	0.43	0.24	0.65	0.45	0.13	0.38	-1.28	0.33	-0.13	0.79	0.35	-0.38
CAD	-0.39	0.50	-0.63	0.19	-0.13	0.49	-0.65	-0.12	-0.44	1.08	-0.16	0.17	-0.01	-0.90	-0.31	1.12	-0.10	-0.12	-0.17	-0.31
AUD	-0.13	-0.11	0.55	-0.72	0.01	-0.10	0.41	-1.15	-0.02	1.25	0.50	0.39	-0.40	-1.79	0.05	-0.49	0.00	0.46	0.27	0.03
NZD	0.74	-0.51	-0.25	0.27	0.16	-1.38	-0.01	-0.91	0.83	-0.37	-0.69	0.52	0.10	-0.31	-0.61	-0.18	0.62	-0.03	0.29	0.56
CHF	0.40	-0.40	0.01	3.84	0.06	0.00	-0.17	-0.15	-0.24	-0.44	3.41	-0.26	1.30	0.99	-0.24	-1.31	-0.23	-1.07	-0.28	4.00
NOK	-0.26	0.40	-0.57	0.60	0.75	1.33	0.09	1.45	0.24	0.20	0.25	0.14	-0.33	0.14	0.76	0.60	-0.44	-0.30	-1.51	-0.51
SEK	-0.54	-2.14	-1.13	0.07	-0.25	-1.87	-0.86	-0.40	0.03	0.02	0.80	0.08	-0.40	0.07	0.89	-0.08	-0.22	-0.70	-1.10	0.64
G10-xUSD	-0.23	0.06	-0.68	0.77	0.80	0.24	0.08	0.45	-0.04	0.94	0.26	0.50	0.47	-0.18	-1.19	-1.27	-1.84	-0.60	-0.76	1.12
Asia	-0.65	-1.09	0.72	0.40	0.33	0.17	1.03	0.74	-0.08	-1.18	0.07	-0.11	0.25	-0.33	0.06	0.18	-2.60	-1.56	-0.02	-0.34
EMEA	0.14	0.54	-0.13	0.47	0.06	1.82	1.56	1.89	-0.10	-0.28	0.04	-0.10	0.42	-0.24	-0.88	-0.06	-0.04	0.49	-0.13	0.17
LatAm	-0.07	1.63	0.11	-1.77	-0.48	0.92	0.95	-3.41	1.14	0.59	0.36	0.84	-0.53	-1.34	-1.36	0.12	0.49	3.11	0.50	-0.39

Source: BofA Securities

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## Exhibit 9: Snapshot of EM Flows (Z-score)

BofA proprietary FX flows in the past four weeks

	Total				Corporate				Official				Hedge funds				Real money											
	t-3	t-2	t-1	t	t-3	t-2	t-1	t	t-3	t-2	t-1	t	t-3	t-2	t-1	t	t-3	t-2	t-1	t								
LatAm	-0.07	1.63	0.11	-1.77	-0.48	0.92	0.95	-3.41	1.14	0.59	0.36	0.84	-0.53	-1.34	-1.36	0.12	0.49	3.11	0.50	-0.39								
BRL	-0.18	1.06	0.78	-2.84	-0.06	-0.01	0.56	-4.00	0.28	-	-	0.74	-0.91	-0.27	-0.03	0.61	0.46	2.27	0.82	-0.96								
MXN	-0.11	2.66	-0.64	0.48	-1.16	1.92	0.55	-0.55	0.33	0.44	0.27	0.31	0.64	-0.96	-2.02	-0.21	0.06	2.85	0.21	1.07								
CLP	-0.26	-0.65	0.07	0.23	0.13	0.66	0.70	1.23	-0.21	0.14	0.01	0.01	-0.19	-1.27	-0.67	0.56	-0.22	-0.02	0.42	-0.67								
COP	0.32	0.24	-0.55	-0.09	0.45	-0.35	0.63	2.58	0.82	0.38	-	-	-0.27	0.12	-0.54	-0.69	0.04	0.16	-0.65	-0.75								
PEN	0.70	-0.62	-0.43	-0.04	-0.21	0.44	0.46	1.77	3.96	-	-	1.77	-0.65	-1.51	-0.06	-1.07	0.81	0.08	-0.51	0.09								
ARS	0.00	0.01	0.01	-0.51	0.30	0.27	0.27	0.27	-	-	-	-	0.24	0.24	0.24	0.24	-0.23	-0.21	-0.21	-0.82								
Asia	-0.65	-1.09	0.72	0.40	0.33	0.17	1.03	0.74	-0.08	-1.18	0.07	-0.11	0.25	-0.33	0.06	0.18	-2.60	-1.56	-0.02	-0.34								
CNY	-0.61	0.33	-2.28	-0.21	0.28	0.44	0.52	-0.95	-	-1.03	-4.00	0.06	2.56	1.76	3.15	-0.33	-3.98	1.40	-2.76	1.58								
CNH	-0.33	-1.49	0.64	1.23	-0.48	-1.17	-0.03	2.23	1.07	1.06	3.88	0.60	-0.11	-0.77	-0.36	0.04	-0.57	-1.13	0.02	-0.41								
INR	-0.15	0.47	0.52	-0.46	-0.15	-0.09	0.82	-0.45	-0.51	-0.51	-0.51	-0.51	0.78	1.00	0.20	0.48	0.02	1.43	1.07	-0.12								
KRW	-0.71	-0.59	0.76	0.17	0.54	0.84	0.64	0.28	0.57	-4.00	-	0.32	-0.79	0.04	0.38	0.38	-3.05	-2.31	0.36	-0.53								
IDR	-0.94	-0.56	-0.54	-0.11	0.14	0.04	-0.13	-0.41	-	0.12	0.12	0.29	-0.56	-0.75	-1.64	-0.38	-0.82	-0.27	0.36	0.22								
MYR	-2.85	-0.75	0.69	-0.41	-0.08	0.14	1.38	-0.99	2.49	-	-	0.41	-0.04	-0.06	-1.14	0.26	-3.78	-1.12	-0.38	0.44								
SGD	-0.01	-0.32	0.49	0.72	0.17	-1.01	0.78	0.11	0.05	0.06	3.68	1.00	0.28	-0.03	0.18	0.52	-0.49	-0.04	-1.78	-0.08								
TWD	1.33	-1.27	0.94	-0.52	0.82	0.25	0.25	0.35	-0.12	-	0.11	-2.74	0.58	-0.16	0.68	-0.59	0.79	-1.80	0.57	-0.28								
THB	0.26	-0.09	0.44	0.02	0.97	1.75	1.43	1.89	-0.06	-0.33	-0.55	-0.08	0.62	-0.40	0.38	-0.56	-0.67	-0.57	-0.14	-0.53								
EMEA	0.14	0.54	-0.13	0.47	0.06	1.82	1.56	1.89	-0.10	-0.28	0.04	-0.10	0.42	-0.24	-0.88	-0.06	-0.04	0.49	-0.13	0.17								
TRY	0.15	-0.98	0.57	-0.37	0.24	0.31	0.73	-0.16	-0.27	-0.29	-0.30	-0.30	-0.58	-2.24	-0.82	-0.45	0.42	-0.31	0.88	-0.10								
HUF	0.30	1.65	1.18	0.09	0.13	0.17	0.72	0.55	0.19	-0.76	0.20	0.21	0.94	2.36	-1.11	-0.52	-0.15	0.83	1.64	0.14								
PLN	0.00	0.77	-0.16	0.42	0.64	0.37	-0.33	1.87	0.26	-0.48	0.25	0.22	-0.17	-0.02	0.43	-0.49	-0.16	0.90	-0.33	0.11								
ILS	-0.65	0.10	-0.01	0.01	-0.09	3.58	1.84	1.54	-0.17	-0.17	-0.17	-0.17	-0.28	-0.31	-0.41	0.43	-0.83	-1.63	-0.66	-1.22								
CZK	0.46	-0.46	-0.80	0.54	-0.73	-0.69	0.22	-0.22	0.16	0.16	0.16	0.15	1.00	-0.30	0.15	0.31	0.07	-0.08	-1.65	0.65								
ZAR	0.13	-0.21	-0.68	0.24	-0.36	0.36	0.54	-0.25	-0.10	-0.11	1.15	-0.01	-0.17	-0.67	-1.39	0.14	0.40	0.13	-0.14	0.29								
KEY:																												
	Z>2				2>Z>1.5				1.5>Z>1				1>Z>-1				-1>Z>-1.5				-1.5>Z>-2				Z<-2			

Source: BofA Securities; Note: The Z-score is calculated as the weekly flow minus the 2-year average flow, divided by the 2-year standard deviation of flows. A positive (negative) number does not necessarily suggest buying (selling), as it is expressed relative to the 2-year average flow and depends on whether the latter is a positive or a negative number. In this context, the arrows indicate whether our flow, and not the Z-score, is positive or negative, suggesting buying or selling. Weeks with no flow are marked with '-'.  
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# Positioning Scorecard

## Exhibit 10: G10 FX Positioning Scorecard

50 (-50) represents a max long (short) positioning relative to history

Currency	BofA HF	BofA RM	FXRS	COT	TFF LF	TFF AM	EPFR	Aggregate Positioning Signal	Change in positioning	MAA Breadth
NOK	34	6	24	-	-	-	41	21	↓	8 ↑↑
EUR	-16	7	-8	11	1	46	26	6	↓	-4 ↓
GBP	19	23	-13	20	14	-20	44	5	↑	4 ↑
JPY	7	15	14	-24	-13	-11	49	2	↓	-9 ↓↓
AUD	-10	28	18	-32	3	-47	47	-2	↓	-3 ↔
USD	23	-4	-4	-3	1	-30	50	-3	↑	-4 ↓
SEK	9	-22	-7	-	-	-	36	-7	↑	1 ↔
CAD	18	-12	-14	-5	-15	-10	49	-7	↓	1 ↔
CHF	-16	-14	-	-10	1	-7	41	-9	↑	8 ↑↑
NZD	-24	-30	9	-4	7	-19	47	-11	↓	-3 ↔

Source: BofA Global Research, Bloomberg, EPFR Global; See appendix for details; HF: Hedge Fund, RM Real Money, FXRS: FX and Rates Sentiment Survey

Note: Aggregate positioning is the unweighted average of BofA HF, BofA RM, FXRS, TFF LF and TFF AM

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## Exhibit 11: EM FX Positioning Scorecard

50 (-50) represents a max long (short) positioning relative to history

Currency	BofA HF	BofA RM	FXRS	COT	TFF LF	TFF AM	EPFR	Aggregate Positioning Signal	Change in positioning	MAA trend
INR	32	21	-	-	-	-	49	26	↑	↔
HUF	25	24	-	-	-	-	22	25	↓	↑
CZK	18	20	-	-	-	-	43	19	↑	↑
CLP	30	-1	-	-	-	-	46	14	↓	↑
PLN	1	25	-	-	-	-	-15	13	↓	↔
MYR	19	7	-	-	-	-	38	13	↑	↑
CNH	-7	26	-	-	-	-	0	10	↓	↔
BRL	-44	25	-	24	2	31	43	3	↓	↔
MXN	-50	10	-	18	9	43	47	3	↑	↔
THB	-8	14	-	-	-	-	30	3	↓	↑
ILS	-4	8	-	-	-	-	49	2	↓	↔
COP	34	-35	-	-	-	-	47	0	↓	↓
IDR	20	-33	-	-	-	-	6	-7	↓	↓
PEN	-44	29	-	-	-	-	36	-8	↓	↑
ARS	-39	11	-	-	-	-	49	-14	↓	↑
TWD	-20	-15	-	-	-	-	31	-17	↓	↓
TRY	-41	6	-	-	-	-	10	-17	↓	↑
CNY	-2	-45	-	-	-	-	44	-24	↑	↔
KRW	-16	-35	-	-	-	-	44	-25	↓	↑
ZAR	-30	-21	-	-	-	-	47	-26	↑	↑
SGD	-34	-34	-	-	-	-	45	-34	↑	↔

Source: BofA Global Research, Bloomberg, EPFR Global; See appendix for details; HF: Hedge Fund, RM Real Money, FXRS: FX and Rates Sentiment Survey

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## Data appendix

BofA Securities Proprietary FX Flows represent the aggregated net base notional of spot and forward trades for sales-only data on a firm-wide basis for the 31 major currencies we track. We filter the data by customer type, which we categorize as Hedge Funds, Corporates, Real Money and Official Institutions. For the purposes of this report we exclude interbank flows, which would include commercial banks, proprietary trading, broker/dealer and affiliates. Indexed data is available upon request.

The currencies used in building this report are defined as:

- **G10:** USD, EUR, JPY, AUD, NZD, CAD, GBP, CHF, NOK, SEK
- **LatAm:** BRL, MXN, CLP, COP, PEN, ARS
- **ASIA:** CNH, CNY, INR, KRW, IDR, MYR, SGD, TWD, THB
- **EMEA:** TRY, HUF, PLN, ILS, CZK, ZAR, RUB

**Emerging Markets** is defined as the sum of LatAm, Asia and EMEA.

**Public/Official:** Central Banks, Government – including federal, state and local municipality clients – and Sovereign Wealth Funds.

**Real Money:** Pension Funds, REITs, Small Institutions/Trusts, Insurance, Asset Management and Finance Companies. RM clients will often trade FX to facilitate transactions in Fixed Income or Equities rather than to take a view on FX itself.

**Hedge Funds:** Usually limited-partnership funds with diverse, often leveraged strategies designed to maximize returns. HF flow is speculative in nature, and many HF trade FX as an asset class

**Corporates:** Businesses across all industries whose investment efforts focus mostly on operative activities, such as hedging and M&A. Corporate FX flow is not speculative in nature but arises as a 'by-product' of normal business operations.

**EPFR GLOBAL data** on country flows combine the respective fund flow and country weightings data to track the flow of money into world stock and bond markets. Fund flow reports track the amount of cash flowing into and out of the investment funds monitored world-wide. Country weightings reports track fund manager allocations at month-end across the various markets they invest in. By combining these two data sets we are able to estimate the flow of cash into and out of various stock and bond markets.

### Note on Aggregate Positioning

We calculate aggregate positioning using a number of different inputs:

- Proprietary BofA Securities FX flows data for hedge funds and real money
- Futures data, using the TFF (Traders in Financial Futures) data for leveraged funds and asset managers separately.
- BofA Global Research [FXRS: FX and Rates Sentiment Survey](#) data

The signals are all considered relative to the start of 2012 (i.e. an expanding window) and each signal is scaled to be between +50 and -50. The aggregate signal is the simple average of all the inputs.

+50 (-50) represents a max long (short) positioning *relative to history*.

For more detail on the construction and use of this report, please see our [LCBF Primer](#)



### **Options Risk Statement**

Options and other related derivatives instruments are considered unsuitable for many investors. Options strategy is by definition governed by a finite duration. The most severe risks associated with general options trading are total loss of capital invested and delivery/assignment risk, all which can occur in a short period.

### **Analyst Certification**

I, Michalis Rousakis, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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