

# The Alternate Opinion

Quantitative & Alternates

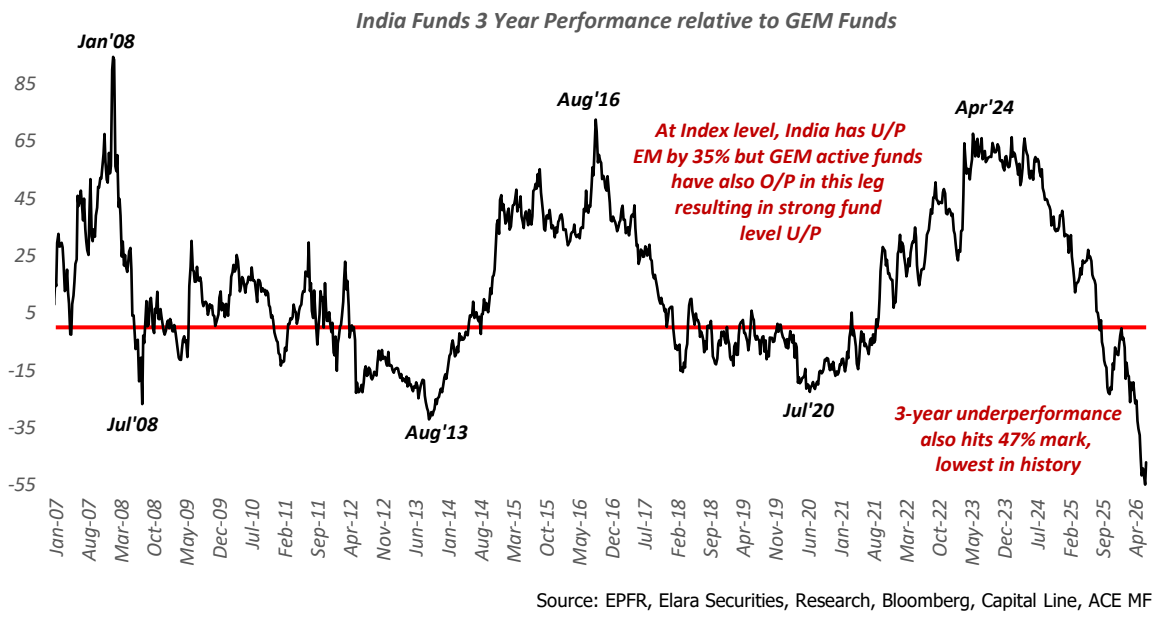
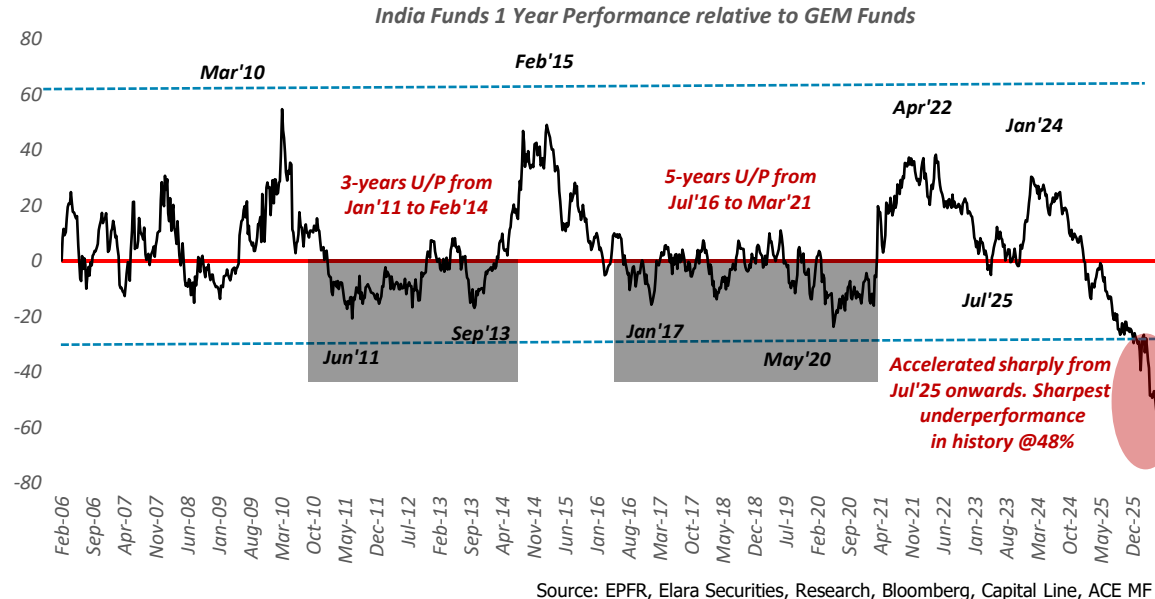
Global Liquidity Tracker: First meaningful slowdown in flows to the AI Ecosystem since May'25; Flows into core AI beneficiaries hold firm

## First meaningful slowdown in flows to the AI Ecosystem since May'25; Flows into core AI beneficiaries hold firm

The broader AI ecosystem is witnessing first meaningful slowdown since the rally began in May'25. GEM funds, which had become preferred vehicle to express the AI theme through Taiwan and S Korea, have seen 6-weeks of redemptions totalling \$10bn. Likewise, precious metal funds witness cumulative outflows of \$7.6bn over 4 weeks & commodity equity funds witness redemptions of \$4.2bn over 7-weeks. Foreign investors continue to pull money from Taiwan, S Korea, Brazil and Mexico. Collectively, these trends suggest that the broad, top-down allocation into the AI infrastructure and commodity ecosystem is losing momentum for the first time in over a year.

Since this is the first meaningful pullback since the AI rally started in May'25, domestic investors in both Taiwan and S Korea have aggressively bought the dip, with inflows of \$5.3bn and \$3.7bn respectively. At the same time, US Technology-focused funds attracted record inflows of \$9bn during the correction. Overall, foreign flows into US equities remain strong for the 11th week, with a five-month high inflow of \$10bn this week. This indicates that while investors are reducing exposure to the broader AI supply-chain and infrastructure trade, conviction in direct AI innovators and beneficiaries remains intact.

India, along with China, has been primary funding sources for this global rotation. Outflows from both regions continued. India witnessed outflows of \$770mn, including \$460mn from Focused funds. Redemptions from Japan-domiciled funds accelerated to a record \$170mn, while Luxembourg funds also remained large sellers. Notably, US-domiciled funds have not been a source of incremental selling for 8-weeks. India's relative performance v/s GEM funds (active & passive combined) has now fallen to record lows on both 1-year and 3-year horizons. Historically, such extremes have tended to coincide with major turning points in relative performance. Since Jun'25, the widening underperformance has largely reflected the shift of global capital toward AI-linked opportunities.



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