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Global Liquidity Tracker: Top-Down euphoria builds further as GEM inflows surge to new record; De-Dollarisation trade crowding-in; Commodity rotation broadens: Energy joins the flow upswing

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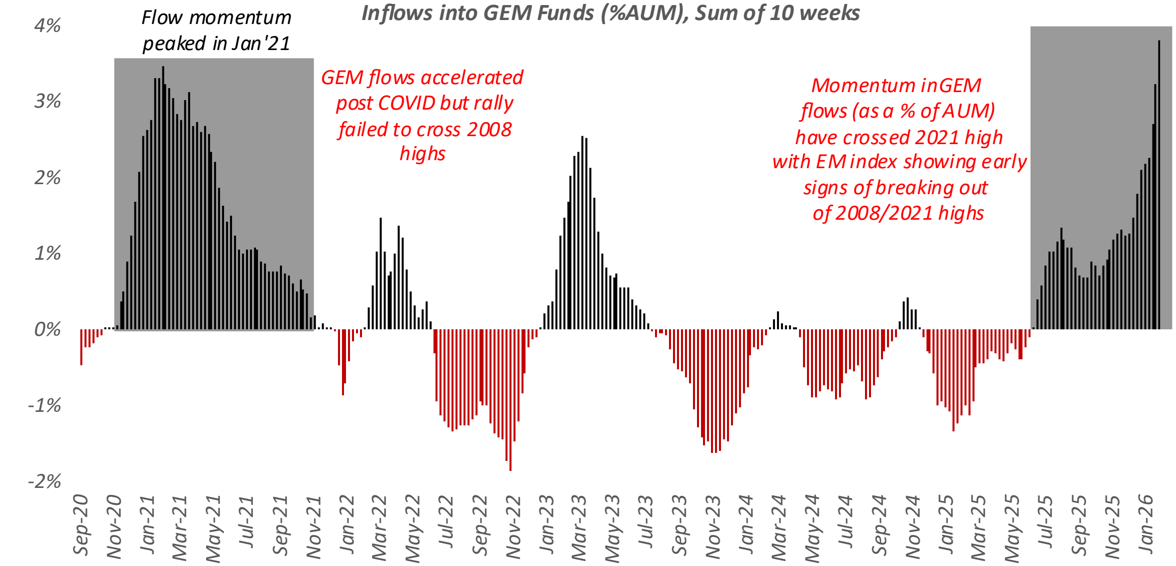
Top-Down euphoria builds further as GEM inflows surge to new record; De-Dollarisation trade crowding-in

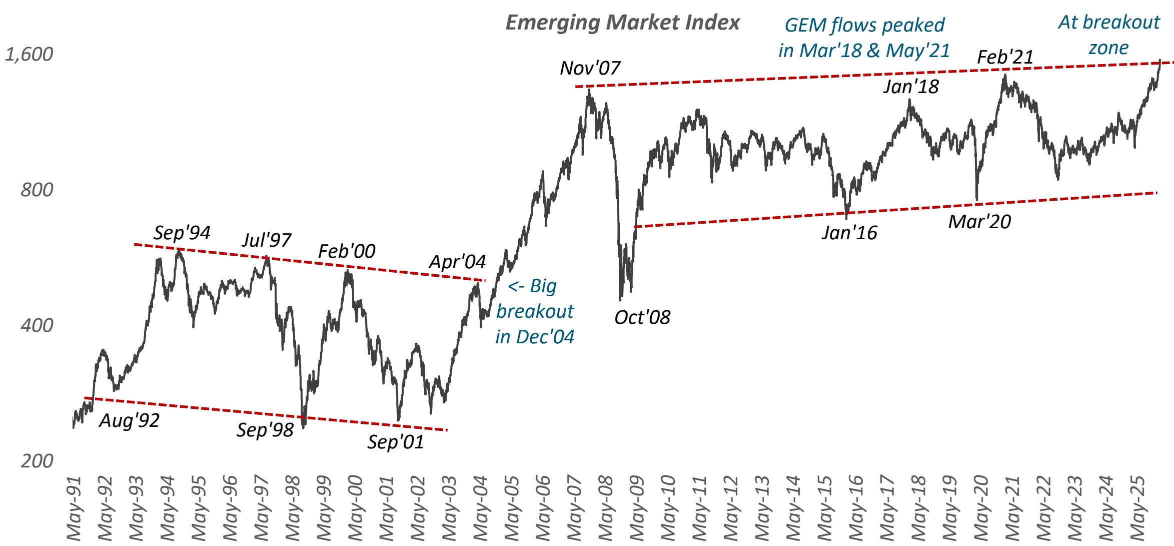
Euphoria in GEM fund flows continues to intensify, with inflows hitting record highs for the third consecutive week. This week alone saw $11bn of net inflows, following $8bn and $6.6bn in the prior two weeks. The magnitude and persistence of these inflows point to extreme crowding in the de-dollarisation trade. Notably, this surge in EM allocations has occurred without a meaningful breakdown in the US Dollar Index. Since May '25, when the current leg of GEM inflows began, the DXY has largely remained range-bound between 96 and 100. With the EM equity index trading near a long-term resistance zone, the durability of this rally will hinge on whether these flows are sufficient to drive a decisive breakout.

While foreign inflows into GEM strategies remain robust, domestic investor behaviour across key EMs is diverging. In China, domestic mutual funds have witnessed record redemptions over the past two weeks, with nearly $100bn withdrawn, more than offsetting the $65bn of cumulative inflows recorded since Sep '25. A similar pattern is emerging in Taiwan, where domestic outflows have persisted for six consecutive weeks, even as foreign flows—largely GEM-driven—remain strong.

In contrast, India-focused funds continue to face sustained redemption pressure. The current phase has extended into a third consecutive week, with $340mn withdrawn this week, following outflows of $360mn and $320mn in the prior two weeks. The pressure remains concentrated in Japan- and Luxembourg-domiciled funds, which have been the primary sources of selling during this period. Despite continued redemptions from India-focused funds, India's aggregate flow picture has improved, driven by stronger allocations via GEM funds. These flows are largely large-cap oriented, reflecting top-down exposure rather than stock-specific conviction. As a result, overall inflows into India surged to a record $1.4bn this week.



Source: EPFR, Elara Securities, Research, Bloomberg, Capital Line, ACE MF



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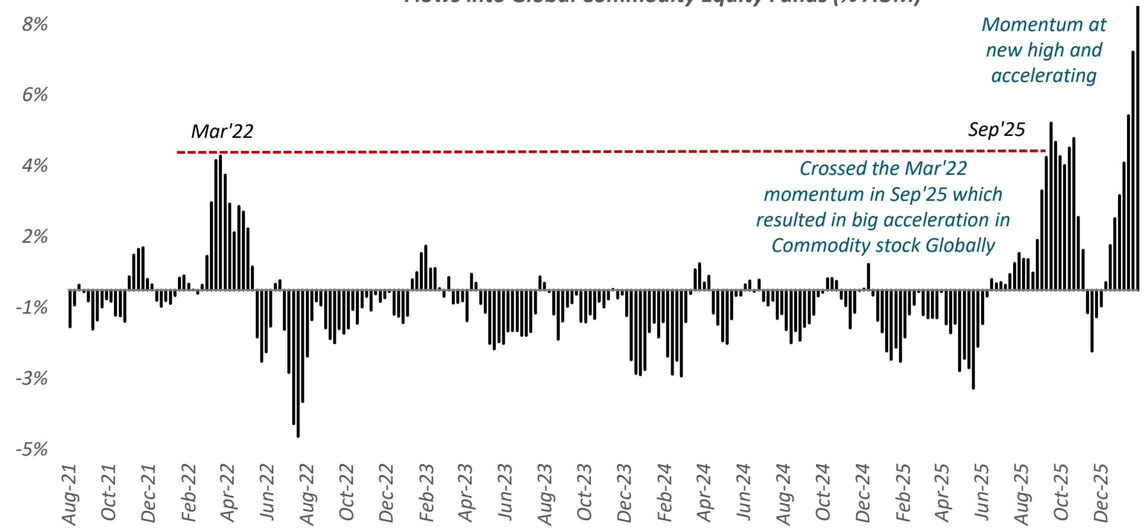
Commodity rotation broadens: Energy joins the flow upswing. 96 on Dollar Index most critical zone

At a broader global level, capital flows continue to reflect a pronounced anti-dollar bias, with sustained momentum into GEM and commodity-linked assets. Commodity-equity funds recorded fresh record inflows of $9.9bn this week, marking the fourth consecutive week of new highs. Within this, energy-focused equity funds saw their largest inflows since Mar '22, at $2.3bn, signalling renewed investor appetite for cyclical and inflation-linked exposures. Among precious metals, divergence is becoming more evident. Silver funds remain under pressure, recording another $1.8bn of outflows this week, taking cumulative redemptions over the past four weeks to $2.9bn. In sharp contrast, gold fund inflows accelerated to a new record of $9bn, underscoring gold's continued role as the preferred hedge within the broader commodity complex.

A critical variable to monitor is the Dollar Index (DXY) level of 96, which marked the post-tariff low in June 2025 following the Trump tariff announcement in April. Since that inflection point, markets have increasingly embraced the de-dollarisation narrative, triggering a powerful rally across precious metals, industrial commodities, and commodity-linked equities. Importantly, while flows and prices have surged, the Dollar Index has not yet broken below this key support. As a result, the current commodity and EM upcycle remains tactically strong but not structurally confirmed. A decisive breach below the 96 level would validate the de-dollarisation thesis, potentially unlocking the next leg of the commodity cycle, accelerating flows into energy and metals, and materially increasing the probability of the EM index breaking out of its 18-year consolidation range. Until such a breakdown occurs, the trade remains momentum-driven; confirmation would mark a structural regime shift across currencies, commodities, and emerging markets.

Flows into Global Commodity Equity Funds (% AUM)



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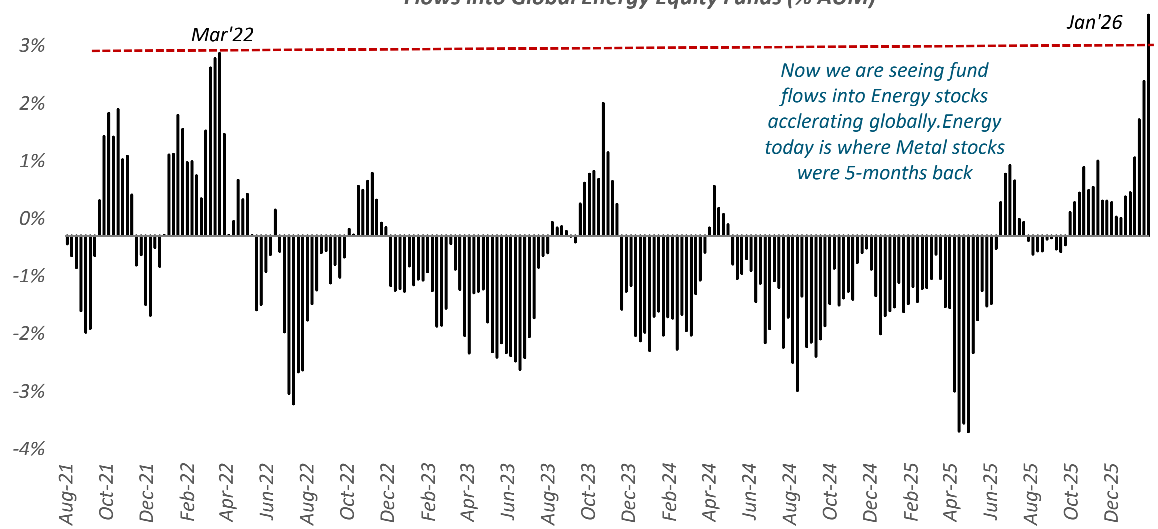
Flows into Global Energy Equity Funds (% AUM)



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