

Real-Money Positioning: Sizable USD longs, Moderate EM FX Exposure

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FX FLOW PULSE October 25, 2019 by Jens Nordvig

USD positioning was at the top of recent ranges heading into October, helping explain the USD's vulnerability to improved risk sentiment in recent weeks. Meanwhile, EM FX positioning got cleaned up fairly thoroughly during August, and we would argue that real money investors remain lightly positioned in EM FX space, suggesting that positive news on trade and growth has potential to have out-sized effects.

Note: We have previously been using various 'cuts' of our real-money positioning data (based on detailed data from a large sample of global mutual fund and ETF funds covering both bond and equity assets. Recently, we have been working on improving the underlying data-set as well as our sampling methodologies, to add to the robustness to the conclusions. We will soon have an online version of the data available. Via the online tool you should always have the most up-to-date version of the data at hand, and ability to experiment with various ways to sample the data.

USD positioning was at high end of ranges heading into October...

First, the data from global bond funds confirms that USD long positioning was near the top of recent ranges heading into October, although not quite as elevated as at the end of August.

The chart below illustrates this using median positions versus benchmark, among global developed market funds.

USD (USD.REALMONEY.B.W.VBNCH.MDN.N.Y.Y.M)

Bond | World | vs. Benchmark | Median | AUM Weighted: No | Fund House: Yes | History: Yes

Zoom **1m** 3m 6m YTD 1y All From **Dec 22, 2016** To **Sep 1, 2019**



We note that this pattern is also consistent across a broader set of global bond funds, including those without a benchmark, which added USD exposure during the risk averse period in August. The chart shows how USD positioning has moved relative to the historical average for this sub-sample of funds. The same conclusion applies (dollar positioning was at the high of the range heading into October).

USD (USD.REALMONEY.B.W.VFULLAVG.MDN.N.Y.Y.M)

Bond | World | vs. Full Mean | Median | AUM Weighted: No | Fund House: Yes | History: Yes

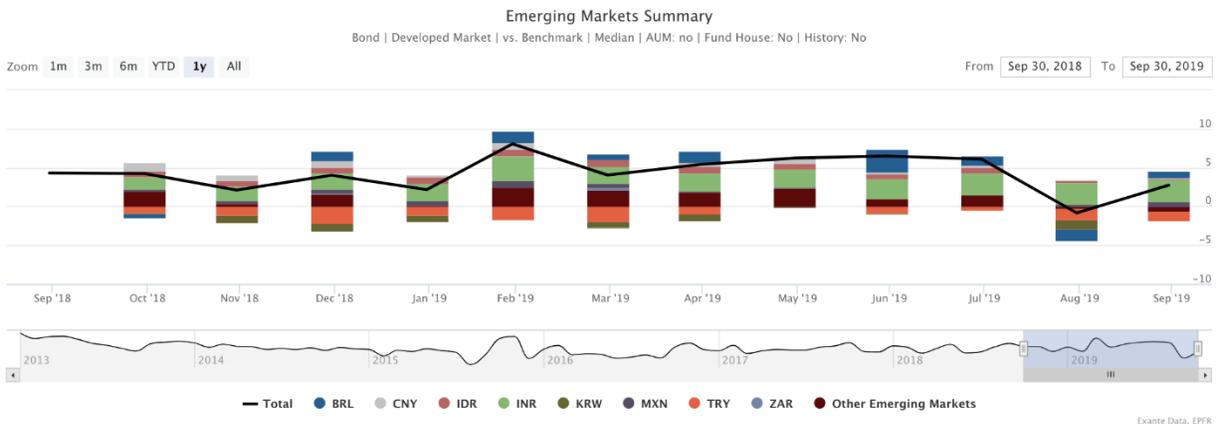
Zoom 1m 3m 6m YTD 1y All

From Jan 10, 2017 To Sep 1, 2019

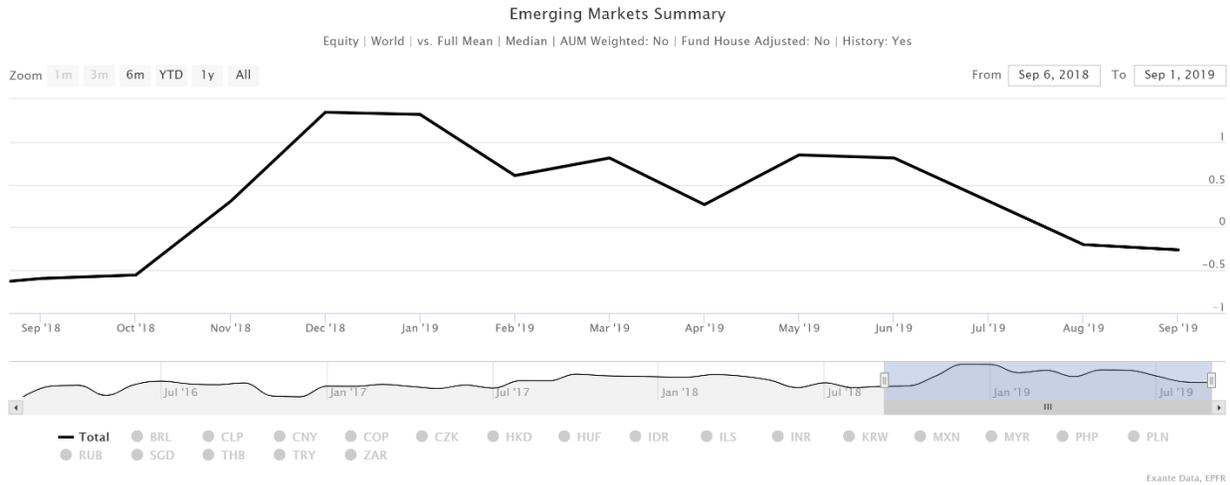


EM FX Positioning After the August Washout

The complete data for end-August and the preliminary data for end-September shows a significant recent drop in EM FX positioning among global fixed income funds. Note that the levels in this specific cut are different from the ones previously used, although the variation over time is similar.



Further, the decline in EM FX exposure is also mirrored with equity funds, although there has been a degree of bounce-back during September within some cuts of the data (not shown). Specifically, the chart below shows how median exposure was taken down from an around 1% overweight in May-June to an underweight approaching 0.5% in September. This broad picture is consistent with our broader tracking of EM flows.



Real Money FX Positioning data included comes from direct partnership between Exante Data and EPFR.

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data

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