

# IIF Capital Flows Tracker – November 2020

## The Snapback

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- Portfolio flows to EM stood at \$76.5 bn in November.
- Equity and debt inflows were \$39.8 bn and \$36.7 bn.
- China equity flows posted \$7.9 bn in inflows.

We estimate that EM securities attracted around \$76.5 bn in November, significantly higher than the \$23.5 bn in October (Exhibit 1).<sup>1</sup> Recent headlines on potential vaccines, combined with the resolution of uncertainty regarding the US election, have benefited capital flows greatly.

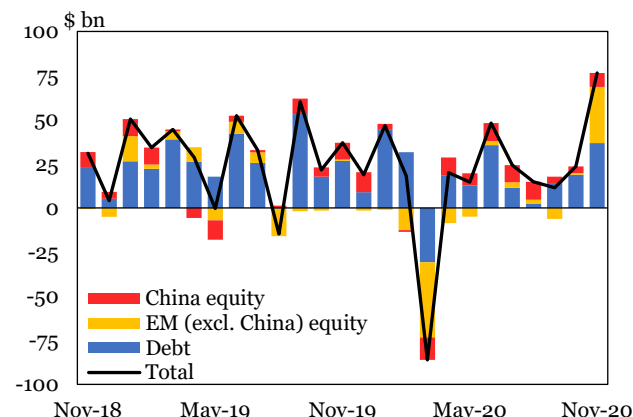
Earlier this year, at the height of the COVID-19 shock, we [recorded](#) large capital outflows from EM. In the months that followed, the recovery in non-resident portfolio flows to EM was tepid (Exhibit 2). Q4 2020 is likely to be the strongest quarter for EM inflows since Q1 2013, i.e. since just before the “taper tantrum”. Excluding China, non-resident portfolio flows to EM are at their strongest pace since Q2 2014, i.e. since just prior to the fall in commodity prices that pulled down the terms of trade in many emerging markets, causing their currencies to depreciate.

Unlike previous months, the main explanation for the above-average performance in flows is mainly attributed to the recovery in Equity flows. Nevertheless, we see growing differentiation in flows to EM, with some markets still lagging and not capturing all the benefits of this rally, and other markets benefiting from high liquidity.

Overall, the exodus of capital from emerging markets is now firmly in the rearview mirror and robust inflows look set to continue. Debt flows posted an inflow of \$36.7 bn; equities saw impressive figures with an inflows of \$39.8 bn (of which \$7.9 bn were China inflows). Regionally, our data shows inflows across all regions, with EM Asia a clear winner, with inflows of \$41.8 bn<sup>2</sup>.

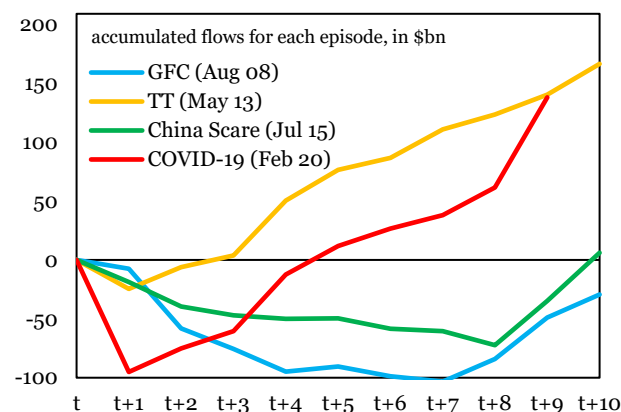
Please find all data available for download on our [website](#).

Exhibit 1. Non-Resident Portfolio Flows to EM



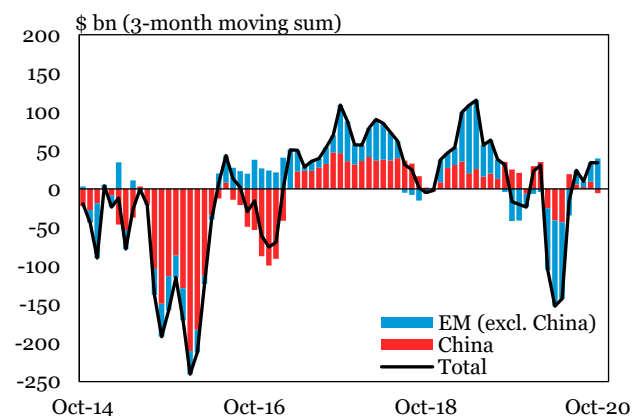
Source: Haver, IIF

Exhibit 2. Stress Episodes for Capital Flows (in months)



Source: IIF

Exhibit 3. Monthly EM Reserve Operations



Source: Haver, IIF

<sup>1</sup>Non-resident portfolio flows are a subsection of overall net capital flows, which include all types of flows from both residents and non-residents covering portfolio flows, banking flows, direct investment, and other components of the financial account in a nation's balance of payments. Portfolio flows, while similar, should not be confused with fund flows.

<sup>2</sup>Monthly country-level figures should be interpreted carefully, as they might not be fully in line with official quarterly BOP figures. To get the full picture, we recommend our headline aggregate indices, which are model-driven and link high-frequency data with official BOP figures.