



SUMMARY

High frequency data* suggests local currency bond flows continue to strengthen in early September in the run-up to the Fed's outsized rate cut. In September, the available data show that Indonesia, Mexico, South Africa, and Turkey experienced robust inflows. However, unlike its high-yielder peers, Hungary's flows were notably volatile, with fluctuations throughout the month, confirming the August dynamic. Meanwhile, inflows to India and Thailand bond markets also continued in September, although at a slower pace compared to peers, underscoring the broadening of EM countries receiving inflows as the Fed eases monetary policy.

Monthly inflows continued through August in EM ex. China (\$11.0 billion) although there were marginal outflows from several countries (Figure 3). China saw inflows resumed for a second consecutive month in August, increasing its net inflows YTD to \$17.1 billion despite a challenging macro backdrop.

- **LATAM: After a tumultuous July, regional flows rebounded with broad inflows in all major economies.** Mexico (+\$1.9 billion), Peru (+\$0.7 billion), and Colombia (+\$0.5 billion), recorded inflows during the month and bringing YTD flows into positive territory. High frequency data indicate continued inflows into Mexico in September despite the central bank reducing policy rates for the second consecutive month.
- **Asia: Sizeable inflows continued through August and early September.** Indonesia (+\$2.5 billion), India (+\$2.0 billion), Malaysia (+\$1.8 billion), and Thailand (+\$0.8 billion) received sizeable inflows in August, and high frequency data suggest that inflows for these countries continued in September. India continues to benefit from net foreign purchases as its government securities debut in the JPM GBI-EM bond index in June.
- **CEEMEA: Bond flows were mix in August.** Turkey is on track to receive inflows for the sixth consecutive months in September, after a strong August (+\$1.6 billion). Flows to Hungary (-\$0.5 billion) continue to remain choppy, as seen in the previous months, although YTD flows remains positive. South Africa experienced marginal outflows in August (-\$0.7 billion), reversing inflows received in July. Nonetheless, high frequency data suggests that inflows returned in September.

Investor Composition: Turkey and Egypt have seen marked increases in foreign participation YTD while several others recorded modest increases, notably Brazil, Peru, Georgia, and India. Despite the recent surge in flows into ASEAN countries, the share of non-resident holdings remains largely unchanged for the year. Elsewhere, domestic banks increased its participation in Colombia, Peru, Poland, Romania, Georgia, and Thailand. Domestic NBF participation has moderated after substantial purchases in 2023, although holdings continued to increase in Colombia, Turkey, and South Africa. In Indonesia, increasing central bank's holdings has been observed alongside a decline in domestic banks' holdings. In August, the central bank of the People's Republic of China net purchased government bonds as part of its monetary policy toolkit to keep banking system liquidity ample and strengthen counter-cyclical adjustments.

Figure 1. Weekly Local Currency (LC) Non-resident Flows (USD billion)

| | 16-Aug | 23-Aug | 30-Aug | 6-Sep | 13-Sep | 20-Sep | 27-Sep |
|-----|--------|--------|--------|-------|--------|--------|--------|
| MEX | 0.2 | -0.9 | 0.7 | 0.6 | 0.5 | 1.4 | |
| ZAF | -0.2 | -0.1 | 1.1 | -0.4 | 0.5 | 0.3 | 0.3 |
| HUN | 0.8 | -0.4 | 0.3 | 0.0 | -0.2 | 0.3 | -0.2 |
| UKR | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| TUR | 1.4 | -1.0 | 1.4 | -0.9 | 1.6 | 1.6 | |
| IDN | 0.6 | 1.4 | 0.0 | 0.0 | 0.0 | 1.1 | 0.4 |
| IND | 0.3 | 0.4 | 0.6 | 0.1 | -0.1 | 0.0 | 0.1 |
| THA | -0.8 | 0.1 | 0.0 | 0.3 | 0.1 | 0.1 | -0.1 |

Figure 2. Flow Dispersion and Returns (percent share, left scale; percent, right scale)

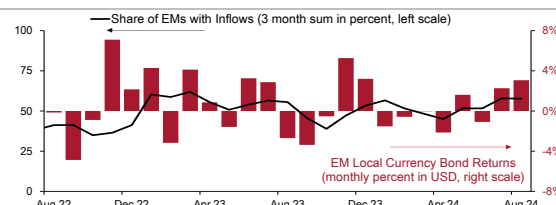


Figure 3. Local Currency Government Non-resident Debt Flows (USD billion; latest month is month to date)

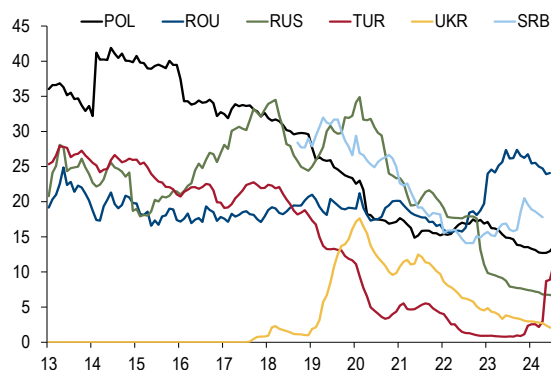
| | Jul.23 | Aug.23 | Sep.23 | Oct.23 | Nov.23 | Dec.23 | Jan.24 | Feb.24 | Mar.24 | Apr.24 | May.24 | Jun.24 | Jul.24 | Aug.24 | Sep.24 mtd | 2024YTD | 2023 |
|------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|------------|---------|------|
| BRA | -4.1 | 2.5 | 4.4 | 4.6 | 0.1 | -2.0 | 3.8 | 1.2 | 5.4 | -3.2 | 3.3 | 5.5 | -1.3 | | | 14.8 | 11.9 |
| MEX | 0.3 | 0.5 | -0.1 | 0.7 | 1.0 | 4.9 | -1.2 | -3.2 | 4.0 | -0.6 | 0.6 | 0.6 | -2.2 | 1.9 | 1.6 | 1.5 | 5.0 |
| PER | -0.5 | -0.5 | 0.4 | -0.2 | 0.0 | 0.0 | 0.0 | -0.1 | 0.0 | 0.8 | 0.1 | -0.9 | 1.1 | 0.7 | | 1.7 | -0.3 |
| COL | -0.4 | -0.4 | -1.1 | 0.1 | 0.4 | -0.4 | -0.6 | 0.1 | 0.7 | 0.3 | 0.3 | 0.0 | -0.4 | 0.5 | | 0.8 | -2.5 |
| HUN | 1.0 | 0.3 | -2.3 | 2.4 | -0.1 | -3.3 | 3.1 | 1.4 | -2.7 | 1.0 | 0.8 | -2.1 | 0.7 | -0.5 | -0.1 | 1.5 | 1.7 |
| POL | 0.3 | -0.3 | -1.2 | 0.1 | -0.2 | 0.7 | 0.0 | 0.3 | -0.3 | -0.3 | 0.4 | 1.2 | 2.1 | | | 3.4 | -3.2 |
| TUR | 0.0 | 0.0 | 0.5 | 0.0 | 0.3 | 1.3 | 0.3 | 0.1 | -0.4 | 0.9 | 6.6 | 0.7 | 3.0 | 1.6 | 3.9 | 16.7 | 2.0 |
| ROU | 0.1 | 0.3 | 0.2 | -0.7 | 0.1 | 0.8 | -0.4 | 0.5 | 0.1 | -0.3 | 0.0 | 0.2 | | | | 0.0 | 7.4 |
| SRB | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.2 | 0.2 | -0.1 | -0.1 | 0.0 | 0.0 | 0.0 | | | 0.2 | 0.0 |
| UKR | 0.0 | -0.1 | 0.0 | 0.0 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 | 0.0 | -0.1 | | | -0.4 | -0.4 |
| ZAF | 1.0 | -0.5 | 0.3 | 0.7 | 1.7 | -1.6 | 0.3 | 0.0 | 0.0 | 0.3 | 1.8 | -0.5 | 0.7 | -0.2 | 0.7 | 3.2 | 2.9 |
| EGY | 0.1 | 0.0 | 0.0 | -0.4 | 0.4 | 0.1 | 1.0 | -0.1 | 24.7 | 3.2 | 1.6 | -0.1 | | | | 30.3 | 6.6 |
| GHA | 0.0 | 0.0 | | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | | -0.1 | -0.1 |
| MYS | 1.9 | -1.1 | 0.0 | -0.4 | 1.3 | -0.5 | -0.8 | -0.3 | 0.4 | 0.2 | 0.9 | -0.1 | 1.4 | 1.8 | | 3.4 | 5.9 |
| IND | 0.4 | 0.9 | 0.2 | 0.8 | 1.7 | 2.4 | 2.5 | 2.4 | 2.2 | -1.9 | 1.0 | 2.1 | 2.6 | 2.0 | 0.1 | 13.0 | 8.4 |
| IDN | 0.6 | -0.6 | -1.5 | -0.8 | 1.5 | 0.5 | 0.0 | -0.3 | -1.7 | -1.3 | 1.1 | 0.1 | 0.3 | 2.5 | | 0.7 | 5.4 |
| THA | 1.0 | -1.1 | -0.6 | 0.5 | 0.5 | -0.3 | -0.1 | -0.4 | -0.3 | -0.7 | 0.5 | -0.3 | 0.8 | 0.8 | 0.4 | 0.7 | 0.3 |
| CHN | -7.2 | -6.0 | -1.9 | 5.8 | 22.9 | 16.8 | 11.2 | -2.3 | -11.7 | 1.5 | 10.8 | -0.8 | 3.5 | 4.8 | | 17.1 | 5.8 |
| EM ex. CHN | 1.5 | 0.2 | -1.5 | 7.2 | 8.7 | 2.7 | 8.0 | 1.6 | 32.1 | -1.6 | 18.8 | 6.2 | 8.7 | 11.0 | 6.6 | 91.3 | 51.0 |

Figure 4. Local Currency Government Debt Holdings: Investor Composition

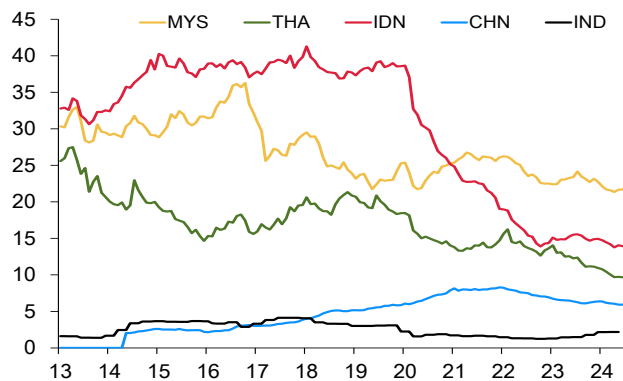
| | Foreign Holdings (US blns) | Foreign Share (percent) | Change since Dec. 2023 (ppt) | Change since Dec. 2022 (ppt) | Domestic Bank Share (percent) | Change since Dec. 2023 (ppt) | Change since Dec. 2022 (ppt) | Domestic NBF Share (percent) | Change since Dec. 2023 (ppt) | Change since Dec. 2022 (ppt) |
|-----|----------------------------|-------------------------|------------------------------|------------------------------|-------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| BRA | 118 | 10 | 0.3 | 0.5 | 31 | 0.9 | 1.4 | 49 | -1.2 | -1.5 |
| MEX | 91 | 14 | -2.2 | -3.5 | 10 | -0.4 | -2.1 | 50 | -0.2 | 2.6 |
| COL | 27 | 20 | -1.8 | -6.4 | 15 | 1.7 | 0.2 | 45 | 3.7 | 10.7 |
| PER | 16 | 39 | 2.5 | -2.3 | 30 | 2.2 | 5.5 | 8 | -7.7 | -6.9 |
| POL | 37 | 13 | -0.4 | -3.7 | 45 | 1.4 | 3.7 | 14 | 0.2 | 0.6 |
| TUR | 16 | 12 | 9.8 | 11.2 | 63 | -12.3 | -9.6 | 12 | 3.6 | 2.5 |
| ROU | 18 | 24 | -2.7 | 4.4 | 41 | 3.4 | -2.4 | 25 | -0.4 | -0.1 |
| GEO | 0 | 3 | 0.5 | -1.0 | 66 | 9.4 | 8.6 | 12 | 0.3 | 3.3 |
| CHN | 453 | 6 | -0.4 | -1.2 | 63 | -0.5 | 1.1 | 22 | -0.2 | -0.9 |
| IDN | 55 | 15 | -0.2 | 0.3 | 20 | -7.0 | -12.4 | 22 | 0.2 | 2.6 |
| MYS | 63 | 23 | -0.1 | 0.2 | 30 | -1.4 | -0.6 | 36 | -0.2 | 1.9 |
| THA | 27 | 10 | -1.0 | -3.7 | 26 | 1.6 | 3.3 | 6 | -0.2 | -0.7 |
| IND | 28 | 2 | 0.4 | 0.9 | 40 | -0.8 | 0.8 | 37 | 0.3 | 0.6 |
| ZAF | 54 | 25 | -0.7 | -1.0 | 20 | 0.0 | -1.6 | 54 | 1.4 | 3.3 |
| EGY | 37 | 50 | 35.2 | 38.1 | 23 | -17.4 | -19.7 | 9 | -9.6 | -9.2 |

Figure 5. Regional Look: Non-resident Share of Domestic Government Debt

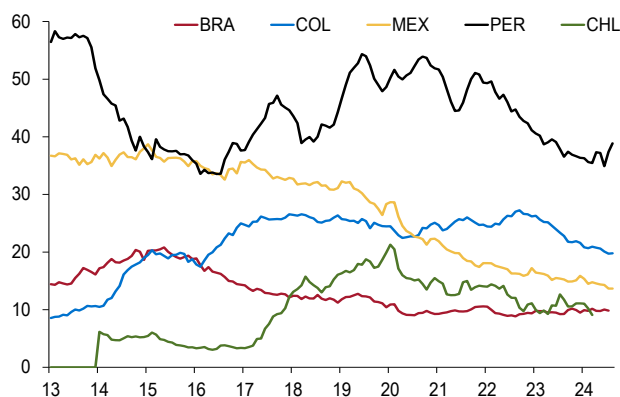
a. Eastern Europe (percent share)



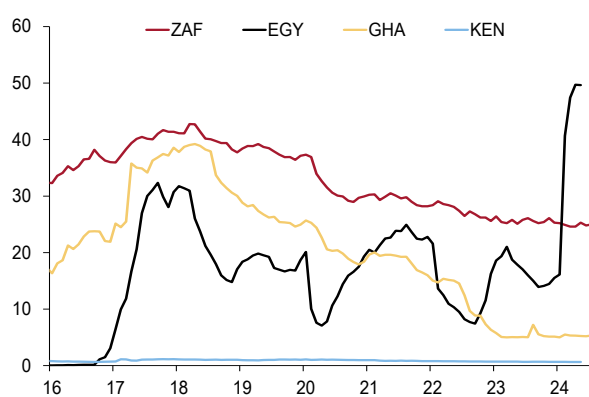
b. Asia (percent share)



c. Latin America (percent share)



d. Africa (percent share)



Notes: China data includes government and policy bank bonds. Egypt refers only to Treasury bills. In Figure 4, the 'latest' figures may refer to different months for each country and are the latest available. Due to lagged releases, data on flows and holdings may be slightly inconsistent for some countries. Data on NBFIs refers to insurance, pension (including public), and investment funds where specifically available, but exact categorization may differ across countries. South Africa includes 'other financial institutions' alongside pension funds and insurance for NBFIs.

Figure 6. Cumulative Non-resident Flows into Local Currency Govt. Bonds Since 2009 (USD billion)

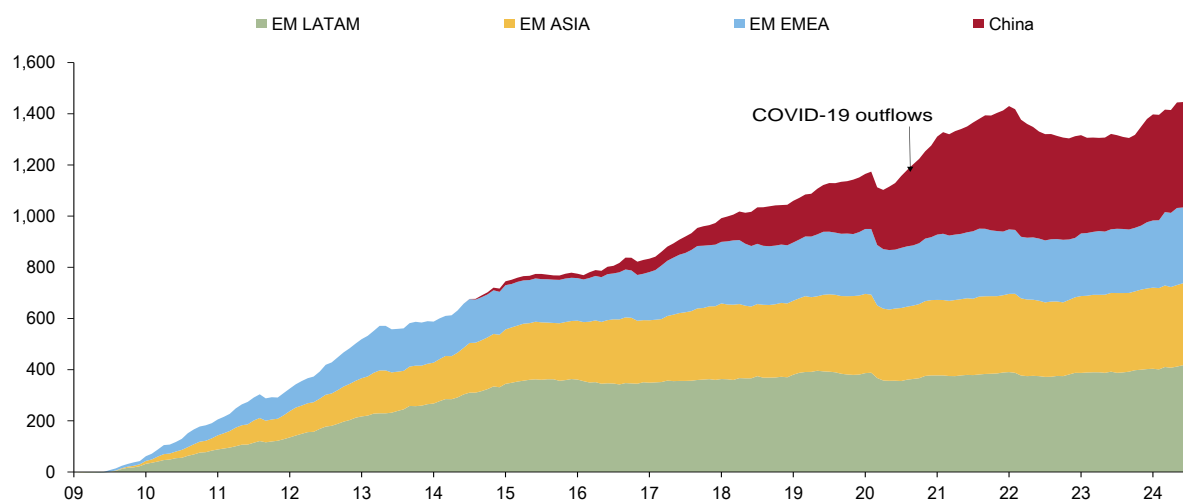
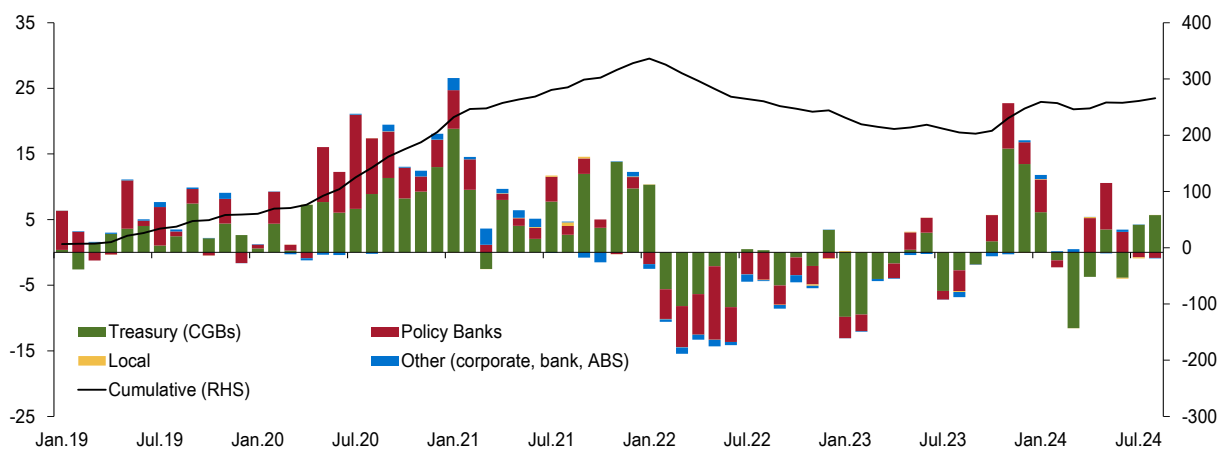


Figure 7. Non-resident Flows into onshore China Local Currency Bonds, by Sector (USD billions)*



Notes In some cases, flows are derived from the change in stock outstanding held by foreign investors each month. Total flows, in CNY is converted into USD at end-of-month mid USDCNY currency rate. Cumulative flows are summation of monthly flows since January 2019.

Figure 8. Non-resident Flows into India, Index Eligible Bonds, Fully Accessible Route (USD billions)

