

Informed Investor: Money Monitor December 2018

By Marlène Hassine Konqui, Head of ETF Research and Kristo Durbaku, ETF Research Analyst

European ETFs flows decelerate

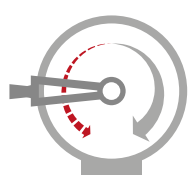
Net new assets in the European ETF market slowed to €2.5bn in December – well down from the €4bn we saw in November. Equities flows collapsed (-€1.4bn), with US equities recording their first negative month (-€1.7bn) after 19 consecutive months of positive flows and Europe equities still suffering outflows (-€1.5bn). However, emerging equities enjoyed their best month ever (+€2.8bn) and fixed income ETF inflows more than doubled, led by developed and emerging market government bonds (€3.4bn and €1.4bn respectively). Commodities continued their descent.

What happened last month?

- ▶ ETF flows slowed to €2.5bn from €4bn
- ▶ 2018 flows now stand at €45bn



€2.5bn



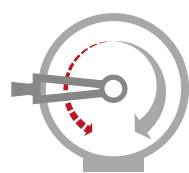
Equity
flows collapsed

-€1.4bn



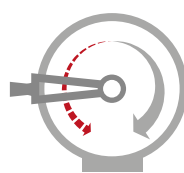
Fixed income
flows surged

€4.3bn



Commodities
still suffering

-€391m



Smart Beta
inflows retreat

-€192m

Source: Monthly data in EURM from 01/12/2018 to 31/12/2018 Bloomberg, Lyxor.

The figures relating to past performances refer to past periods and are not a reliable indicator for future results.

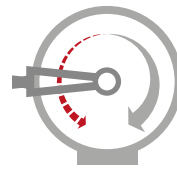
Note: This report is based on the data available on 01/12/2018. Asset and flow data may be slightly adjusted as additional data becomes available.

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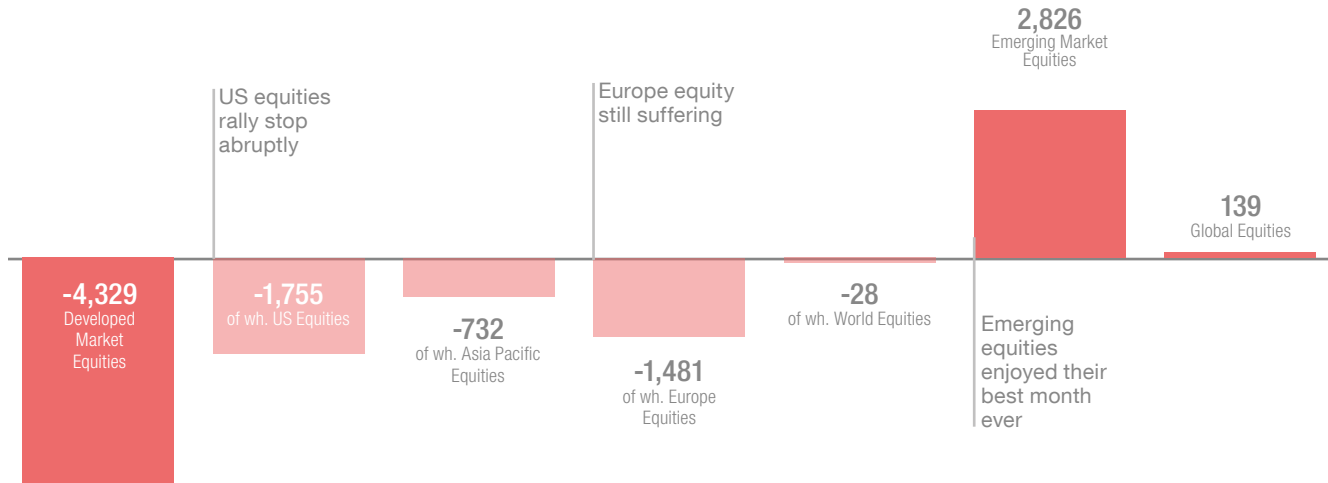
What were the major trends?

Equity flows collapsed



-€1.4bn

Monthly net inflows on European Equity ETFs

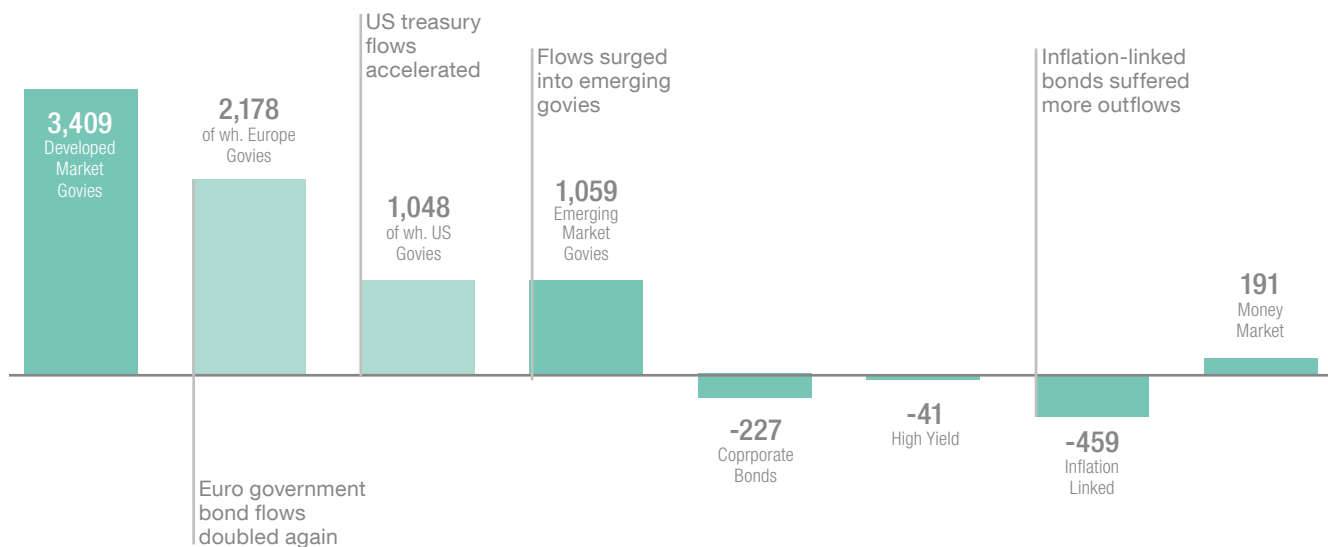


Fixed income flows surged



€4.3bn

Monthly net inflows on European Fixed Income ETFs



Source: Monthly data in EURM from 01/12/2018 to 31/12/2018, Bloomberg, Lyxor.
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Special focus

Emerging equity ETFs enjoyed their best month ever



Record inflows

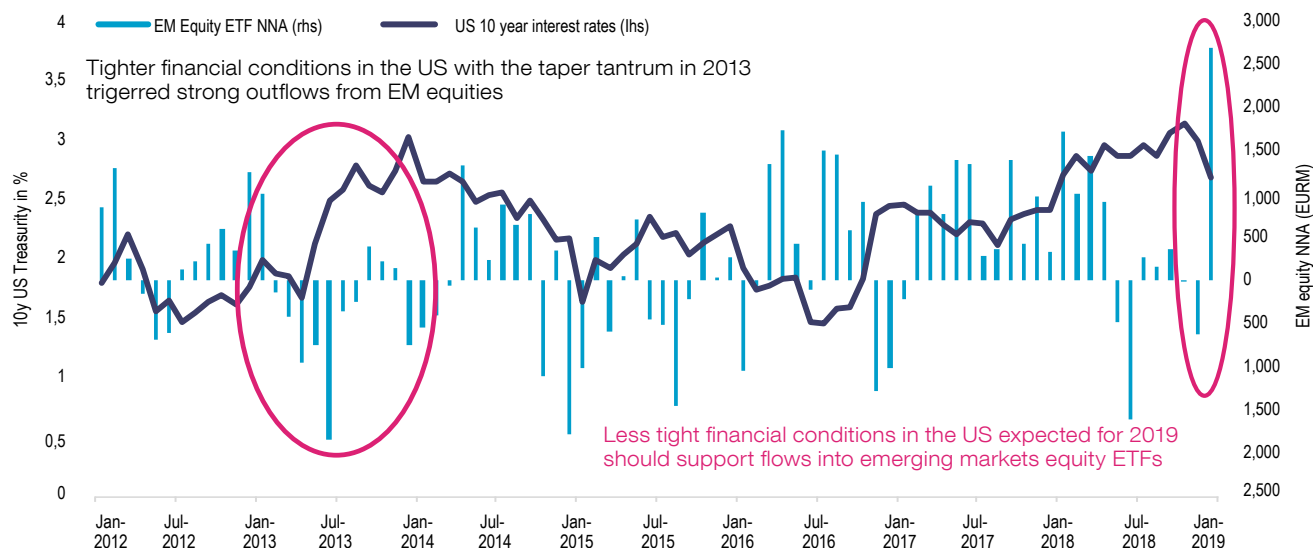
€2.8bn

In December 2018, emerging market ETFs benefited from low US interest rates, which brought record inflows into all emerging market economies.

Before this, emerging markets had suffered particularly from the intensifying trade war between the US and China. The risk is likely to remain in the short term but should

decrease in the medium term as current tight economic conditions are expected to ease later in 2019. This could lead to a new ongoing positive trend for EM ETF flows, especially given the historical correlation that has been observed between emerging market ETF flows and the US10-year yield (see graph).

Emerging equity ETFs monthly flows vs. US 10Y yield



Source: Monthly data from 01/01/2012 to 31/12/2018, Bloomberg, Lyxor Cross Asset Research, Lyxor ETF. The figures relating to past performances refer to past periods and are not a reliable indicator for future results..

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What does it all mean?

A moderately successful year – in line with long-term average



ETFs on the rise

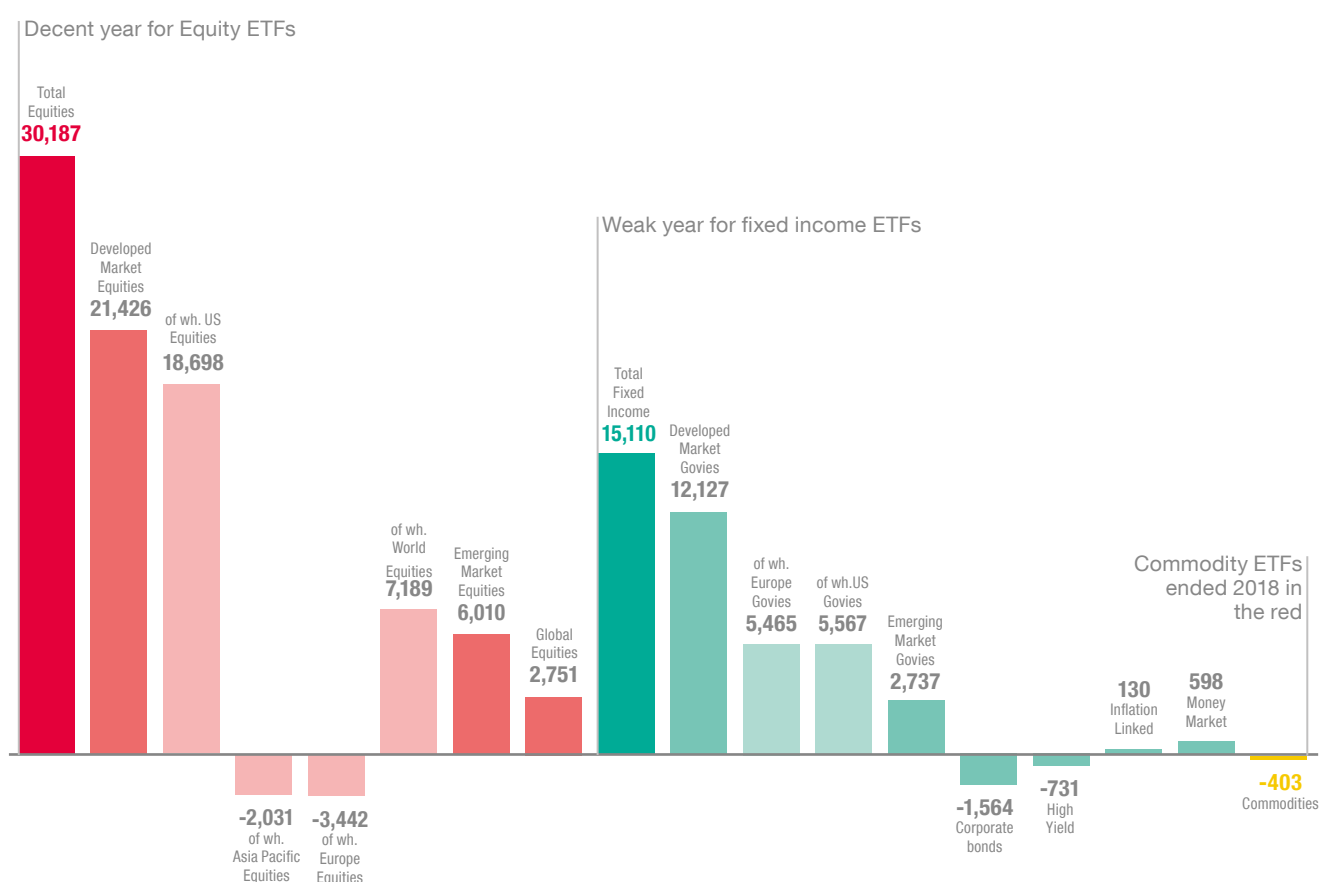
€45bn



Total AUM is down 0,4% since 2017

€633bn

YTD net Inflows on European ETFs by asset class



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Source: Monthly data in EURM from 01/01/2018 to 31/12/2018, Bloomberg, Lyxor.
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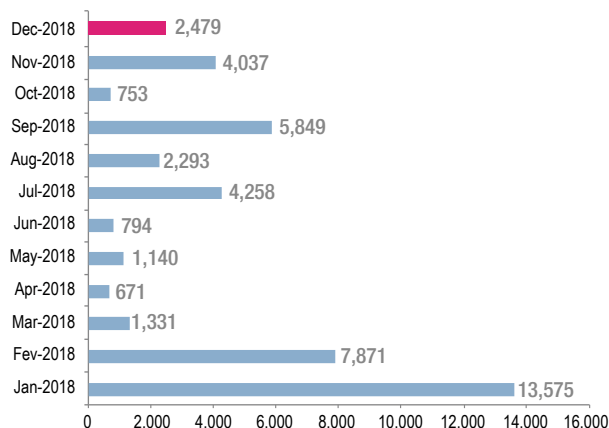
Appendix: The month in numbers

European ETFs in December 2018

Net Inflows (EURm)

NNA dropped to €2.5bn from €4bn in december

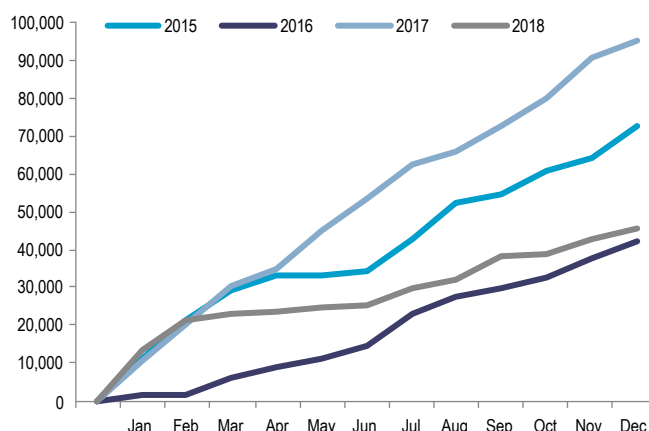
Monthly NNA on European ETFs



Total

Moderately successful year for European ETFs

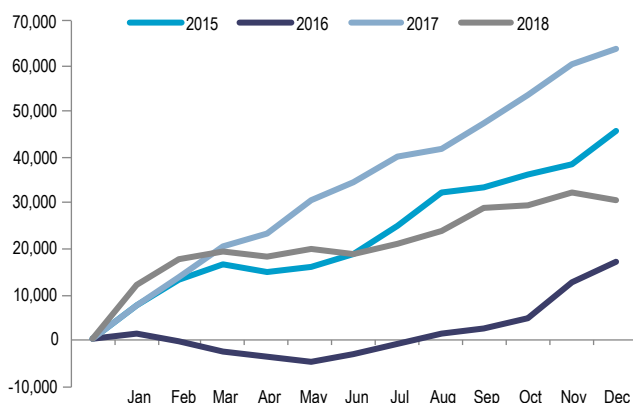
Cumulated monthly NNA on European ETFs



Equity

Decent year for equity ETFs (€30.2bn)

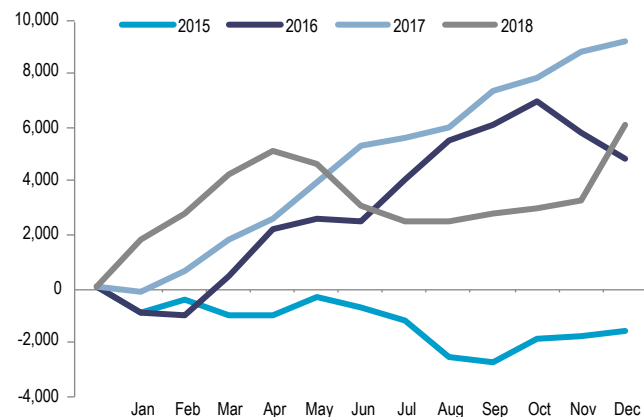
Cumulated monthly NNA on equity ETFs



Equity Emerging Market

Good year for emerging markets equity ETF flows despite fluctuations

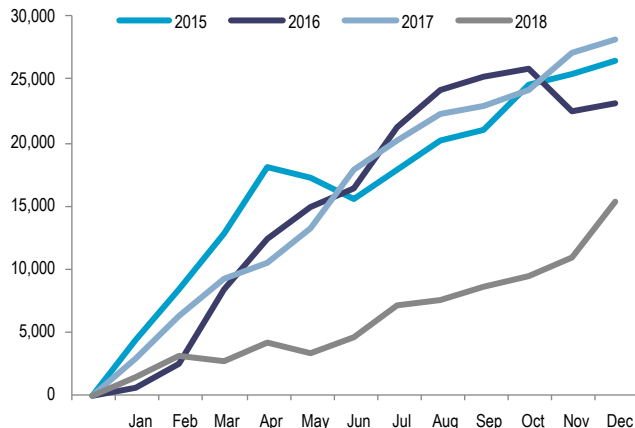
Cumulated monthly NNA on emerging market equity ETFs



Fixed income

Weak year for fixed income flows

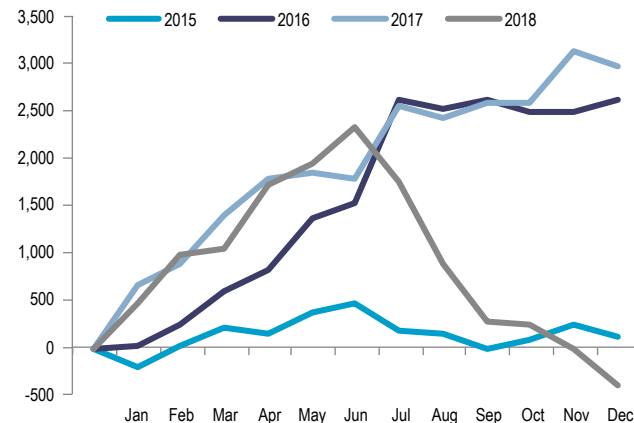
Cumulated monthly NNA on fixed income ETFs



Commodities

Worst ever year for commodity ETFs

Cumulated monthly NNA on commodity ETFs



Source: Monthly data in EURm from 01/01/2015 to 31/12/2018, Bloomberg, Lyxor.
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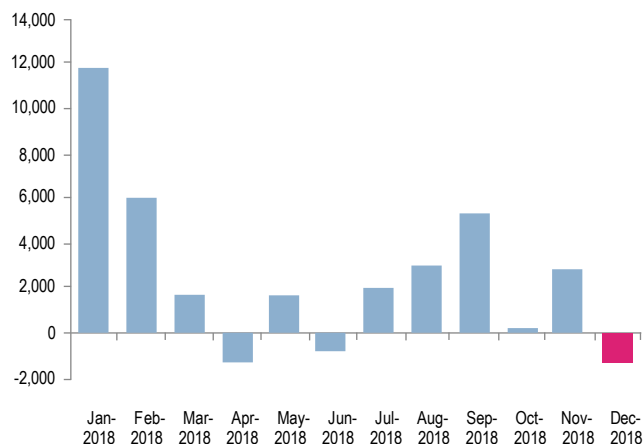
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Overview by asset class

Equity

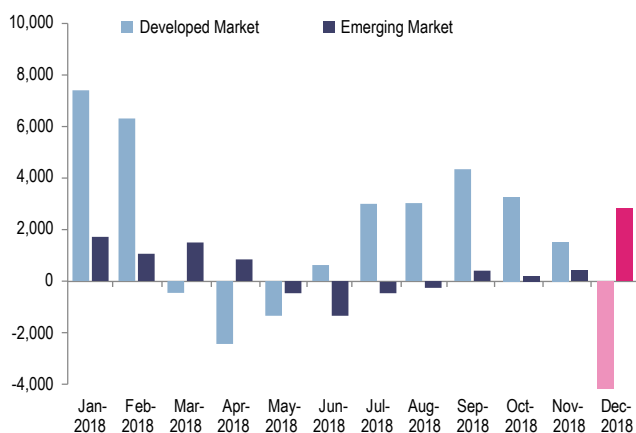
Equity ETFs flows turn negative

Monthly NNA on equity ETFs



EM equity ETFs outdo developed peers

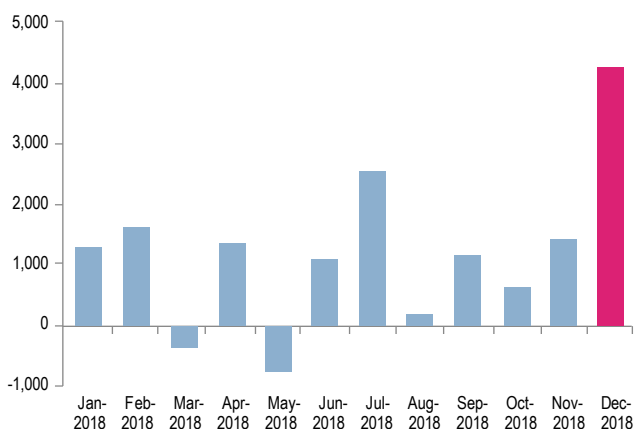
Monthly NNA on developed vs. emerging markets equity ETFs



Fixed Income

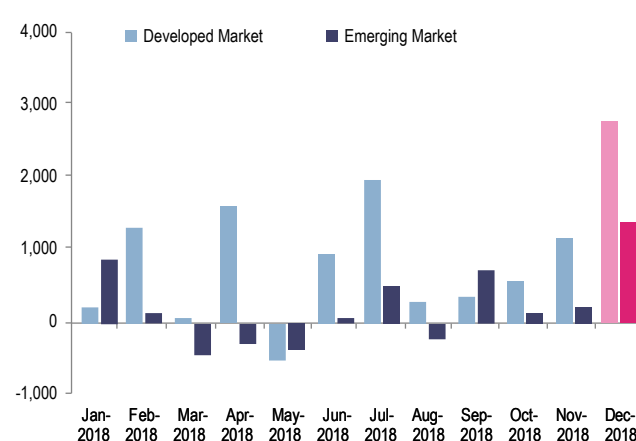
Best month of the year for fixed income ETFs (€4.3bn inflows)

Monthly NNA on fixed income ETFs



DM bonds outdo EM peers again

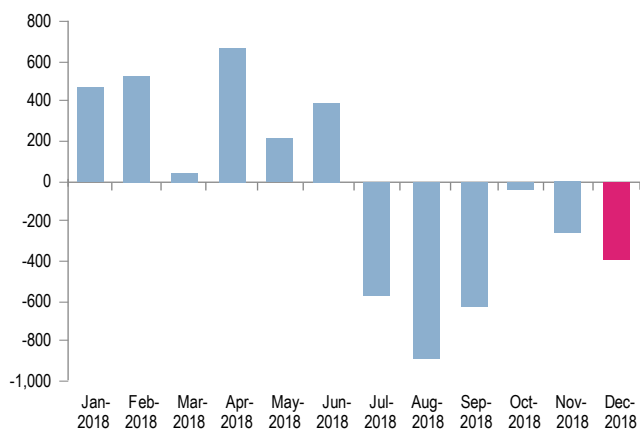
Monthly NNA on developed vs. emerging markets fixed income ETFs



Commodities

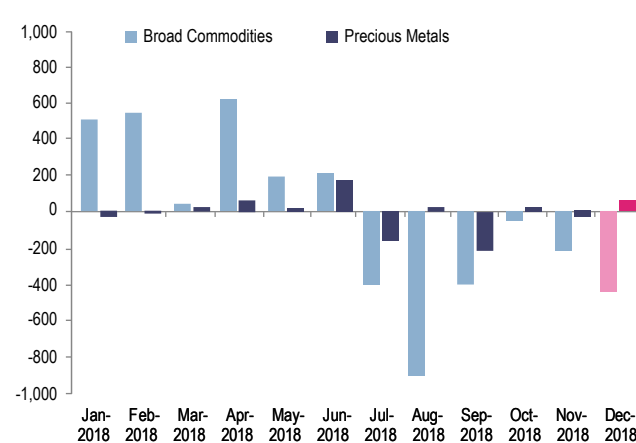
Flows into commodity ETFs collapse again

Monthly NNA on commodity ETFs



...mainly due to broad commodity ETFs

Monthly NNA on broad & precious metals ETFs



Source: Monthly data in EURM from 01/01/2018 to 31/12/2018, Bloomberg, Lyxor.
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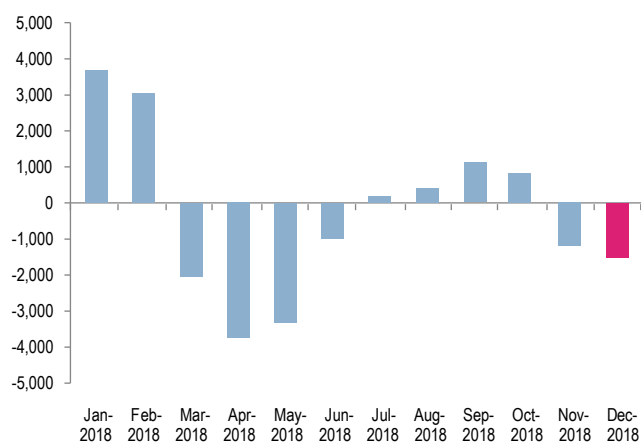
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Equities

European Equities

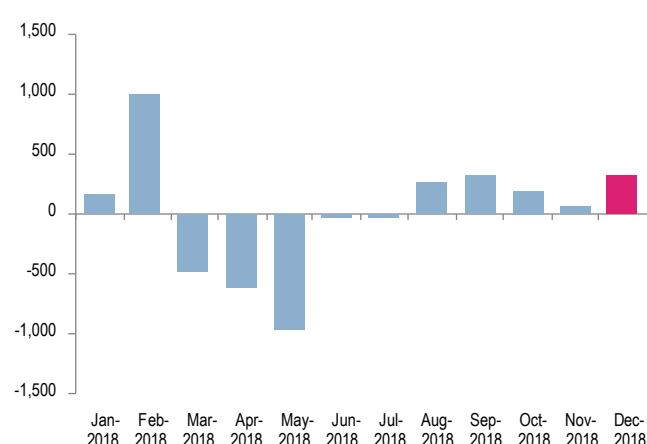
Flows on European equity ETFs collapse again

Monthly NNA on European equity ETFs



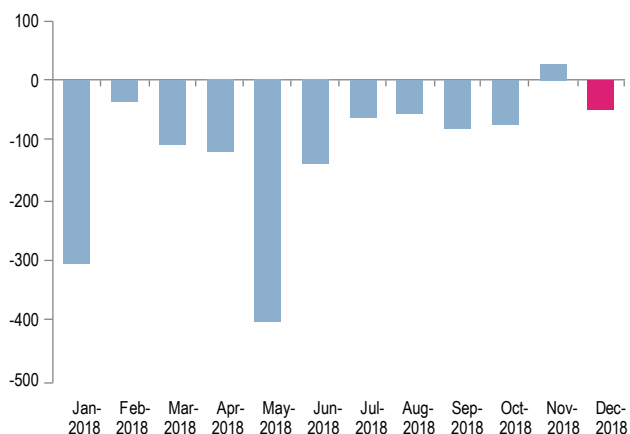
5th consecutive positive month for German equity ETFs

Monthly NNA on German equity ETFs



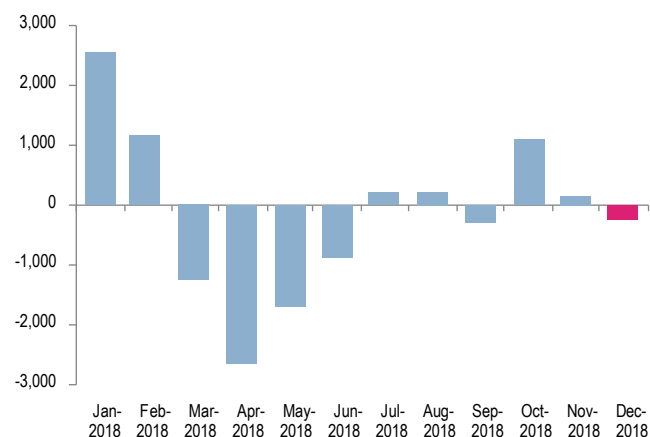
Peripheral Europe equity ETFs rebound wasn't confirmed

Monthly NNA on peripheral Europe equity ETFs



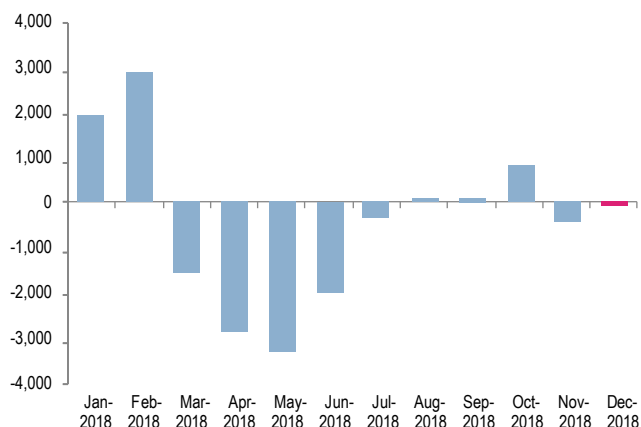
Little interest on developed Europe equities

Monthly NNA on developed Europe region equity ETFs



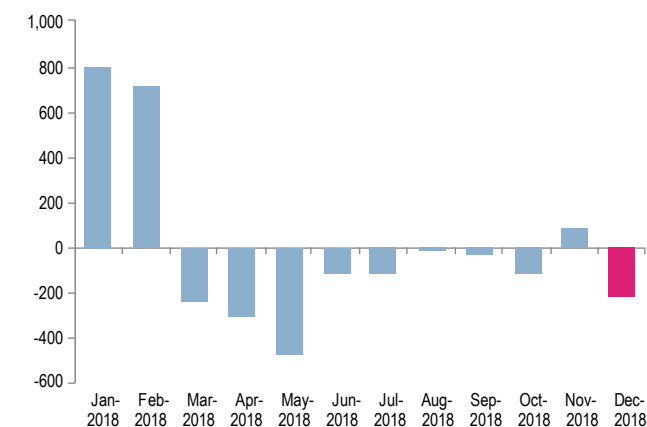
Virtually a flat month for Eurozone equity ETFs

Monthly NNA on Eurozone equity ETFs



Financial Europe equity ETFs plummeted

Monthly NNA on financials Europe equity ETFs



Source: Monthly data in EURM from 01/01/2018 to 31/12/2018, Bloomberg, Lyxor.
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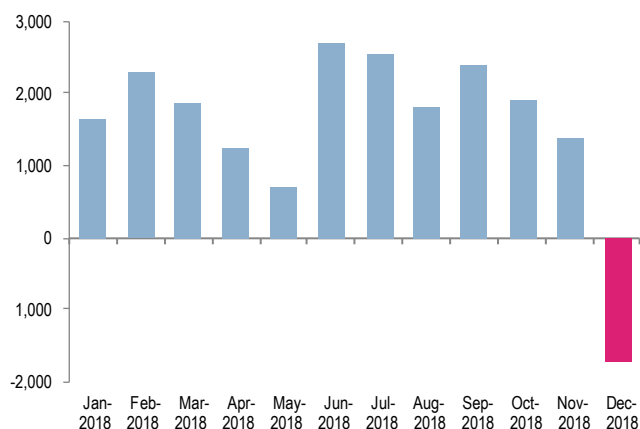
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Equities (cont'd)

US & Japan equities

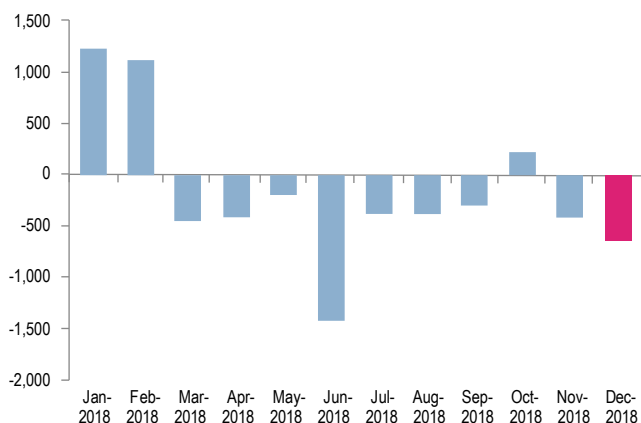
US equity ETFs turn largely negative after 19 positive months

Monthly NNA on US equity ETFs



Japan equity ETFs collapse again

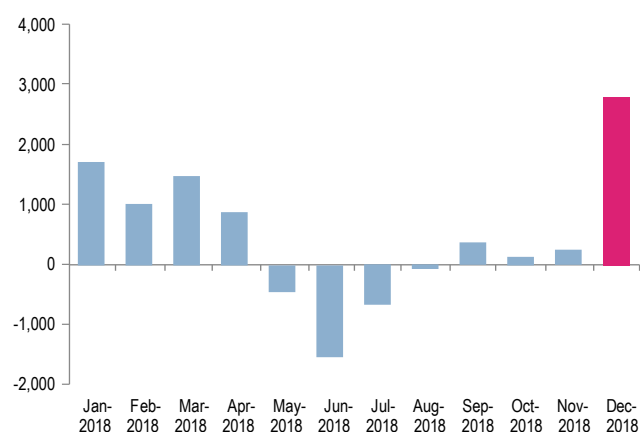
Monthly NNA on Japan equity ETFs



Emerging market equities

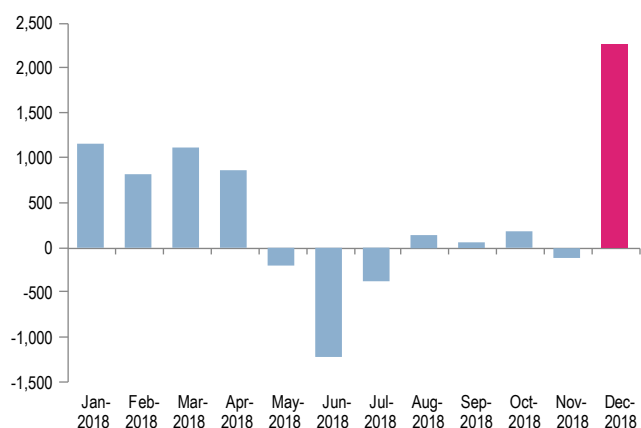
Best month of the year for emerging market equity ETFs

Monthly NNA on emerging market equity ETFs



Broad EM equity ETFs enjoyed their best month ever

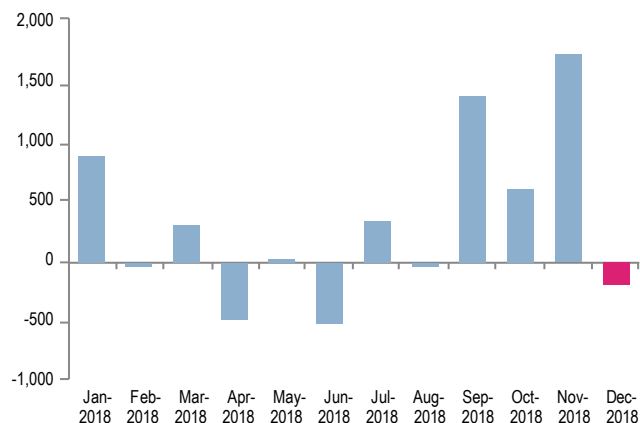
Monthly NNA on broad EM equity ETFs



Smart Beta / Value

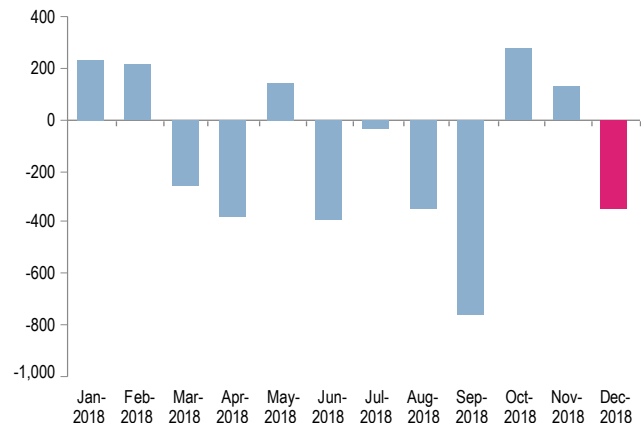
Smart beta ETF flows turn negative after best month ever

Monthly NNA on smart beta ETFs



Value style equity ETFs decline sharply

Monthly net new assets on value style equity ETFs



Source: Monthly data in EURM from 01/01/2018 to 31/12/2018, Bloomberg, Lyxor.
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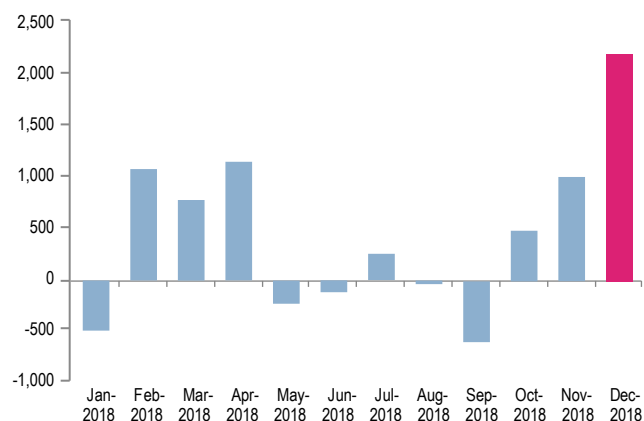
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Fixed Income

European Govies

Best month of the year for EU government bond ETFs (€2.2bn)

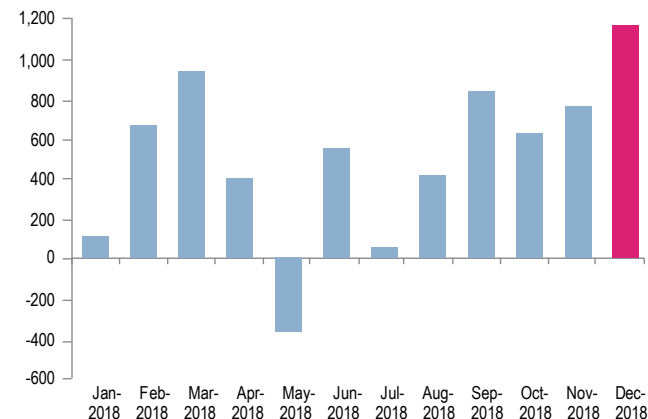
Monthly NNA on EU government bond ETFs



US Govies

...and for US treasuries (€1bn)

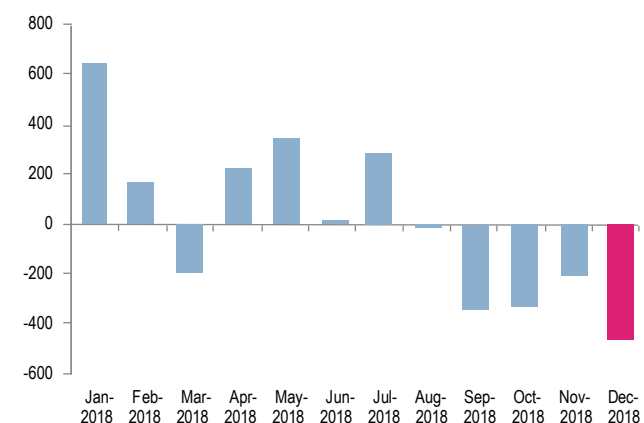
Monthly NNA on US government bond ETFs



Inflation Linked

Inflation-linked bond flows remain negative

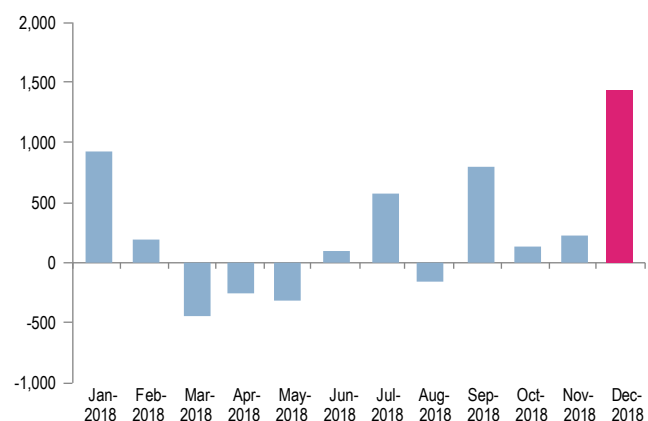
Monthly NNA on inflation-linked bonds ETFs



EM debt

Significant inflows into emerging market debt

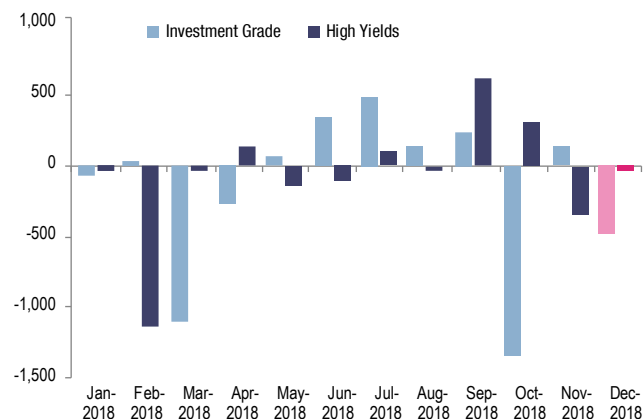
Monthly NNA on emerging market debt ETFs



Credit Market

HY outflows nearly stopped while IG counterparts turned negative

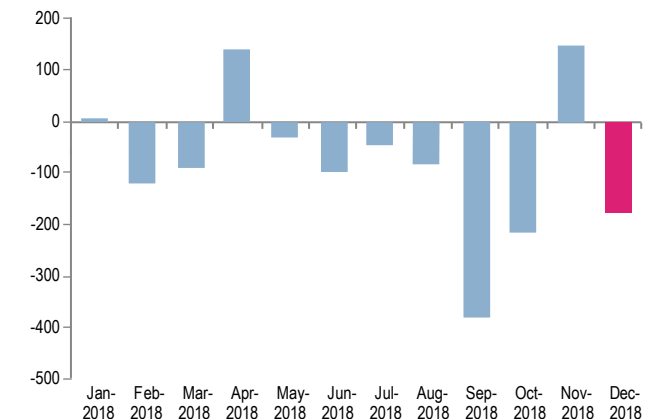
Monthly NNA on investment grade & high yield bond ETFs



Short-bond strategy

Short bond strategies rebound wasn't confirmed

Monthly NNA on short bond strategy ETFs



Source: Monthly data in EURM from 01/01/2018 to 31/12/2018, Bloomberg, Lyxor.
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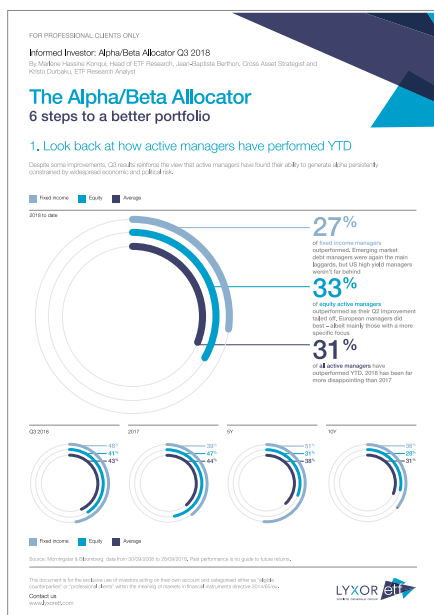
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