

Informed Investor: Money Monitor January 2019

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

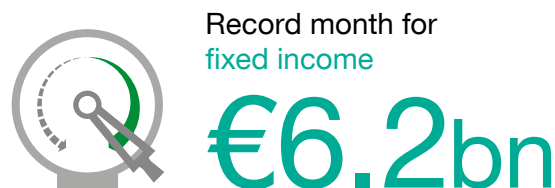
A happy new year for European ETFs

Net new assets in the European ETF market tripled to €7.6bn in January from the €2.5bn we saw in December. Equity flows rebounded (€1.6bn from -€1.5bn) led by strong inflows into emerging markets equities (€2.4bn). In contrast, their developed market counterparts suffered a poor start due to some significant outflows (-€2bn) from US equities.

Having lagged way behind equities in 2018, fixed income ETFs enjoyed their best month ever (€6.2bn), led by developed and emerging market government bonds (€2.2bn and €2.4bn respectively). Smart Beta ETFs also enjoyed a largely positive month with net new assets of €1.4bn, but commodity flows continued their seemingly endless decline.

What happened last month?

- ▶ ETF flows tripled to €7.6bn from €2.5bn
- ▶ Strong start to the year for the European ETF market



Source: Monthly data in EURM from 01/01/2019 to 31/01/2019 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 01/01/2018. Asset and flow data may be slightly adjusted as additional data becomes available.

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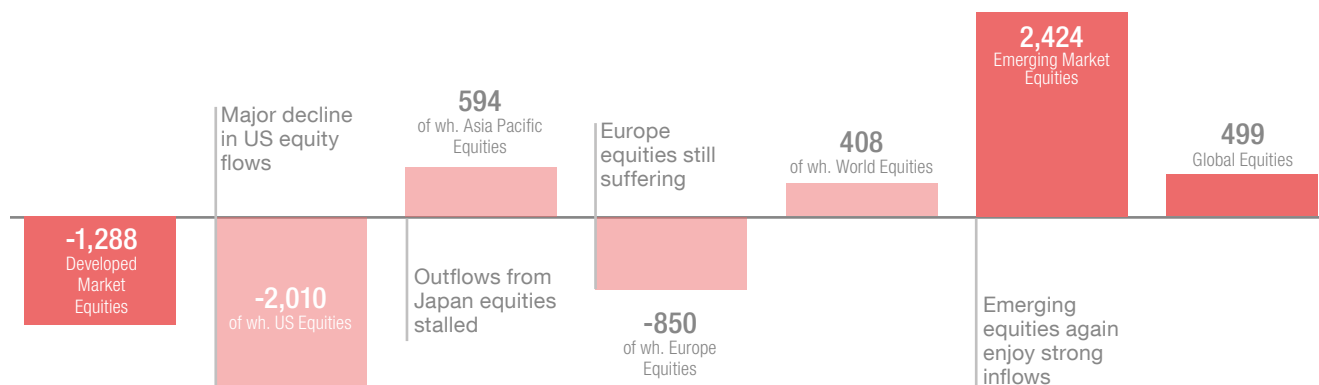
What were the major trends?

Modest rebound for equities



€1.6bn

Monthly net inflows on European Equity ETFs

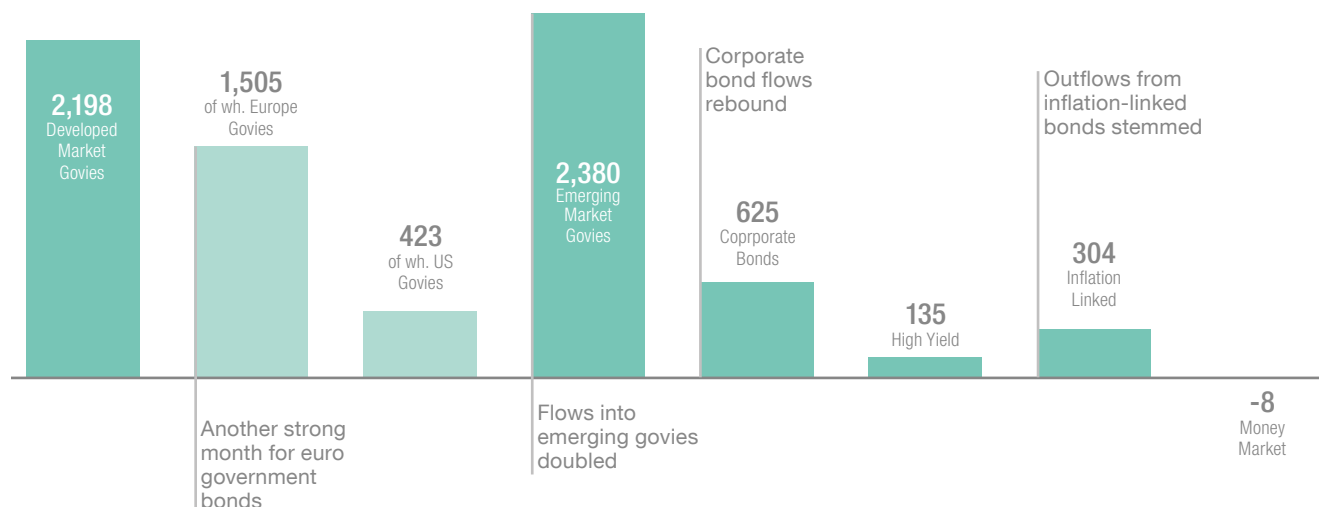


Record month for fixed income



€6.2bn

Monthly net inflows on European Fixed Income ETFs



Source: Monthly data in EURM from 01/01/2019 to 31/01/2019, Bloomberg, Lyxor.
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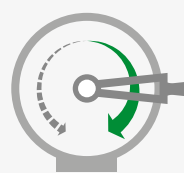
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Special focus

Investors turn defensive

Investors continued to reinforce their defensive positioning in January after all of the equity market volatility we saw in Q4. This helped to sustain inflows into some Smart Beta strategies. Net new assets of €1.4bn – split between developed (€1bn) and emerging (€400m) markets – amounted to the second-best month over one year.

Quality strategies and income-generating ETFs led the way and reached a record high of €1bn. Nearly all of these flows were concentrated in developed markets. Europe took the lion's share with €451m of inflows – another new record. This is all the more remarkable given traditional European equities



Near-record inflows

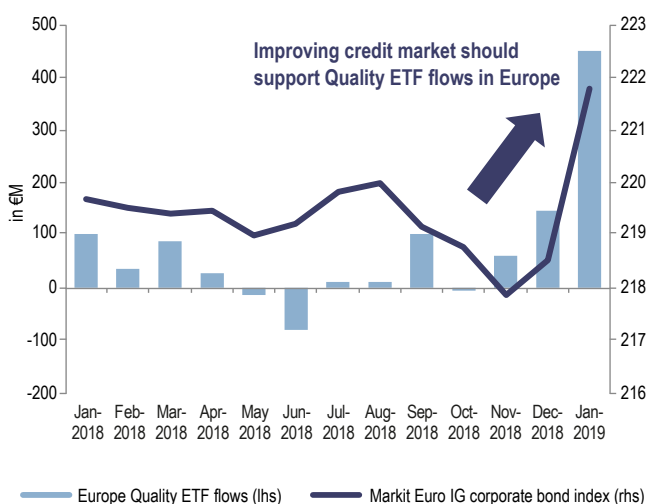
€1.4bn

suffered outflows of €1.3bn. Attractive equity valuations kept investors interested and invested, despite the significant economic uncertainty.

Investment into other defensive strategies were also significant. Minimum volatility and low volatility factor strategies gathered inflows of €496m – albeit those flows were mainly concentrated in the emerging markets (€340m).

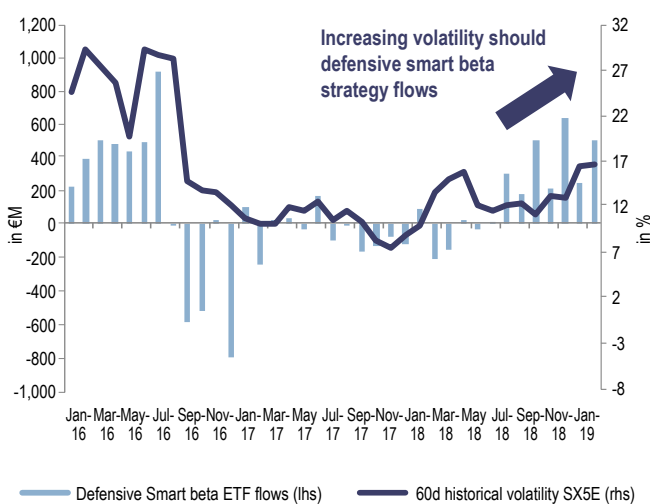
Ultimately, we expect this renewed interest in Smart Beta to endure for some months given significant political and economic uncertainties and improvements in the credit markets.

European Quality ETF monthly flows vs. euro investment-grade corporate bond index*



*including income generation and Quality factor strategies flows.
Source: Lyxor ETF, Bloomberg data from 01/01/2018 to 31/01/2019.

Defensive Smart Beta ETF flows vs. 60-day historical volatility*



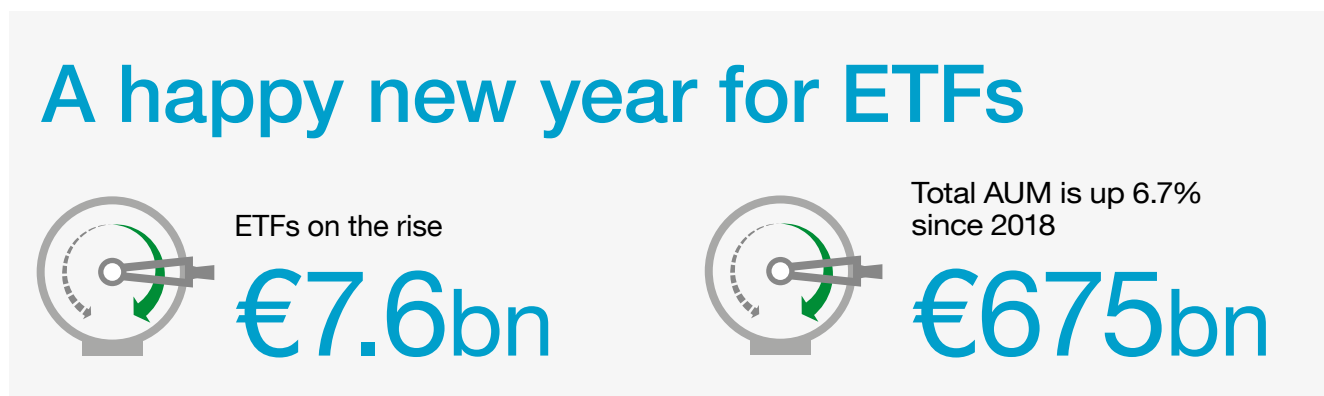
*including min volatility and low vol /low beta factor strategy flows.
Source: Lyxor ETF, Bloomberg data from 01/01/2016 to 31/01/2019.

Source: Monthly data from 01/01/2016 to 31/01/2019, Bloomberg, Lyxor Cross Asset Research, Lyxor ETF.
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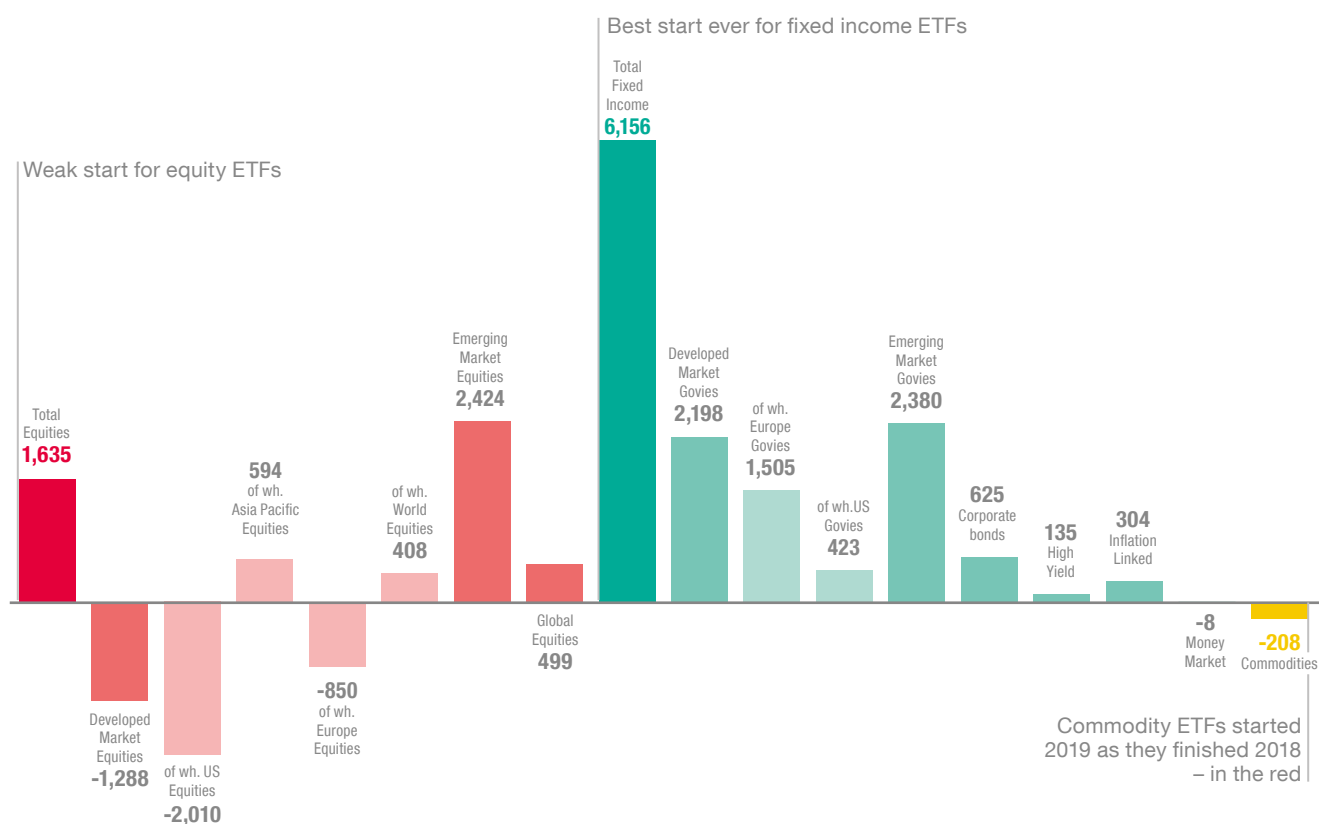
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What does it all mean?



YTD net Inflows on European ETFs by asset class



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Source: Monthly data in EURM from 01/01/2019 to 31/01/2019, Bloomberg, Lyxor.
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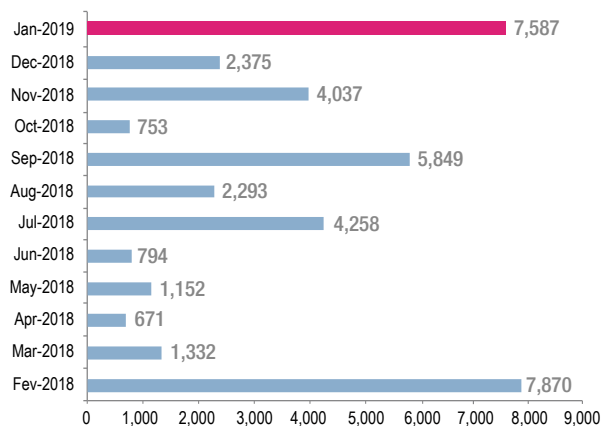
Appendix: The month in numbers

European ETFs in January 2019

Net Inflows (EURm)

NNA tripled to €7.6bn from €2.4bn

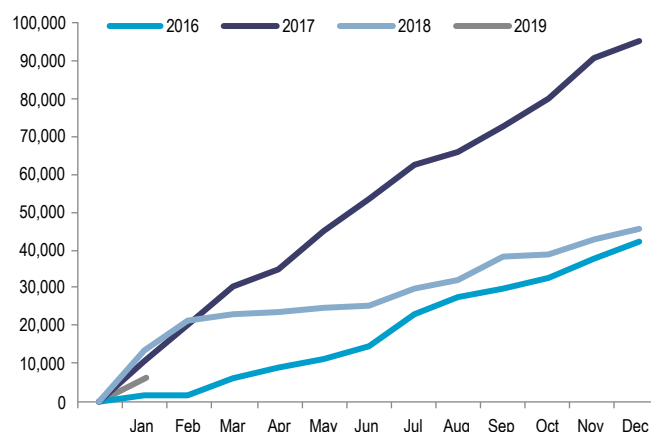
Monthly NNA on European ETFs



Total

Decent start to a year for European ETFs

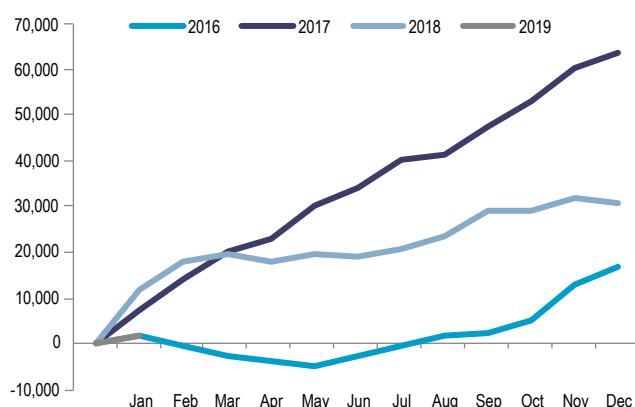
Cumulated monthly NNA on European ETFs



Equity

Weak start for equities

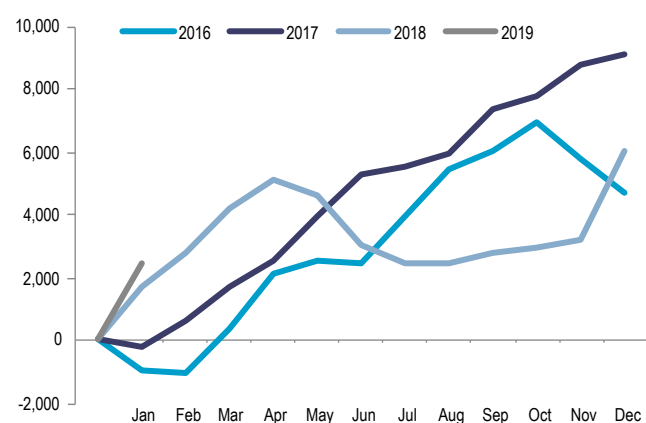
Cumulated monthly NNA on equity ETFs



Equity Emerging Market

Best start ever for emerging market equities

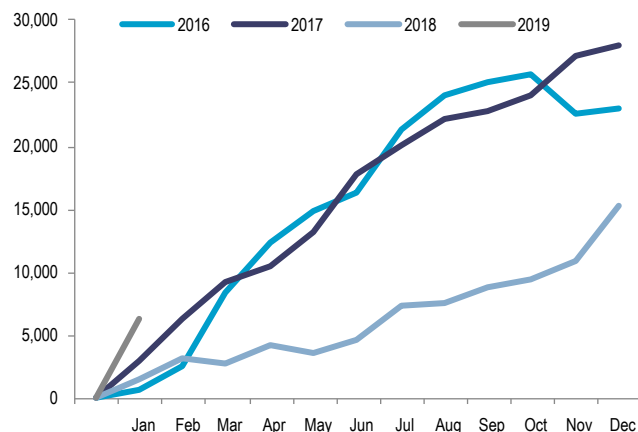
Cumulated monthly NNA on emerging market equity ETFs



Fixed income

All-time record for fixed income flows

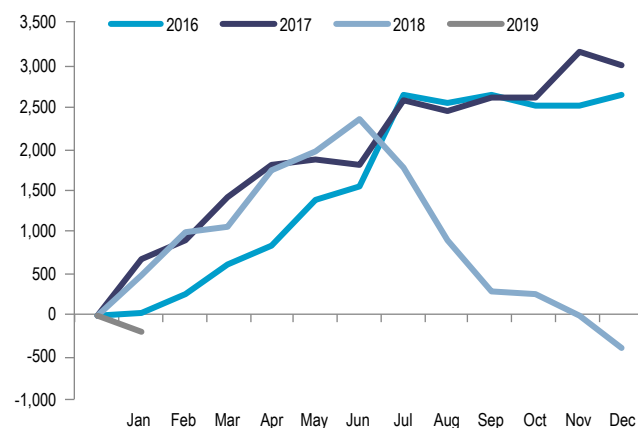
Cumulated monthly NNA on fixed income ETFs



Commodities

Commodity ETFs started 2019 as they closed 2018, in the red

Cumulated monthly NNA on commodity ETFs



Source: Monthly data in EURM from 01/01/2016 to 31/01/2019, Bloomberg, Lyxor.
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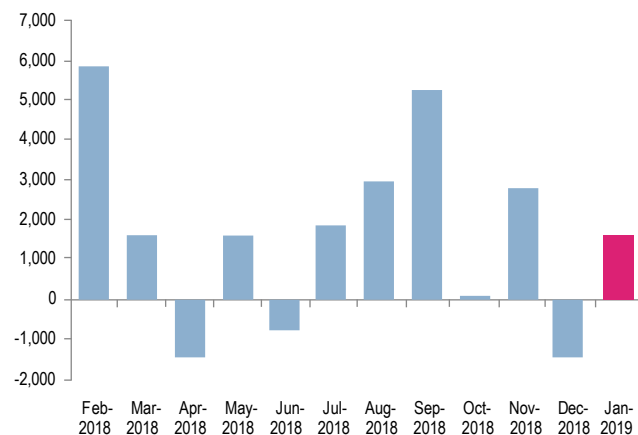
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Overview by asset class

Equity

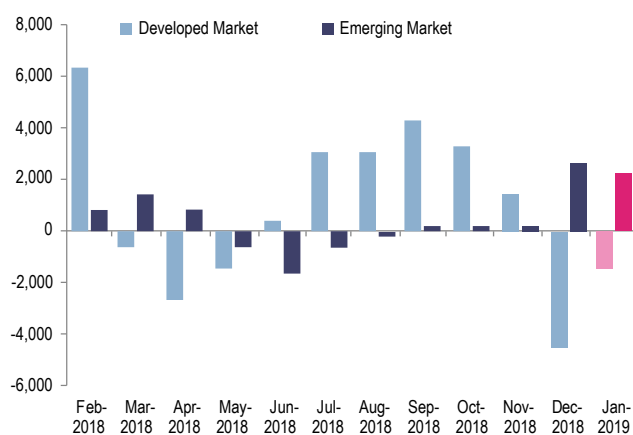
Equity ETF flows rebounded

Monthly NNA on equity ETFs



EM equity ETFs outdo developed peers

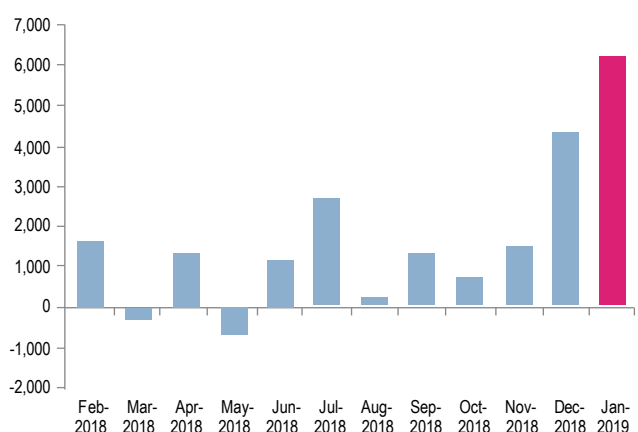
Monthly NNA on developed vs. emerging markets equity ETFs



Fixed Income

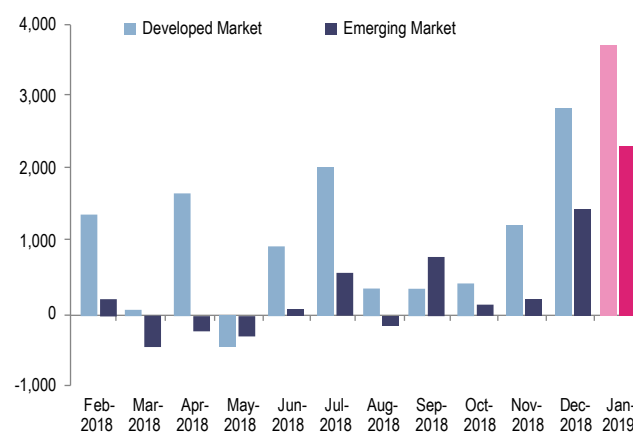
Best month ever for fixed income ETFs (€6.2bn)

Monthly NNA on fixed income ETFs



DM bonds outdo EM peers again

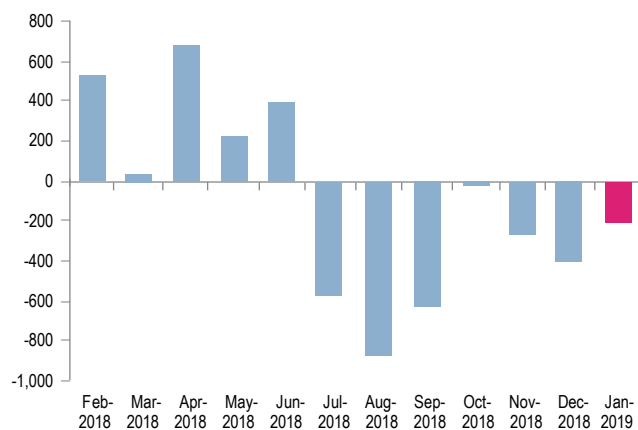
Monthly NNA on developed vs. emerging markets fixed income ETFs



Commodities

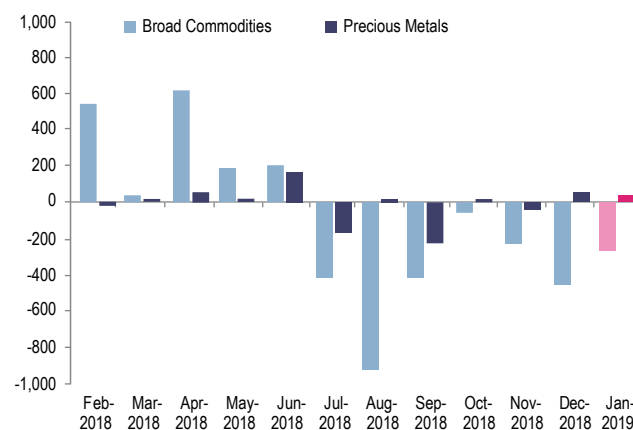
Commodity ETFs continue to suffer outflows

Monthly NNA on commodity ETFs



...mainly due to broad commodity ETFs

Monthly NNA on broad & precious metals ETFs



Source: Monthly data in EURM from 01/02/2018 to 31/01/2019, Bloomberg, Lyxor.
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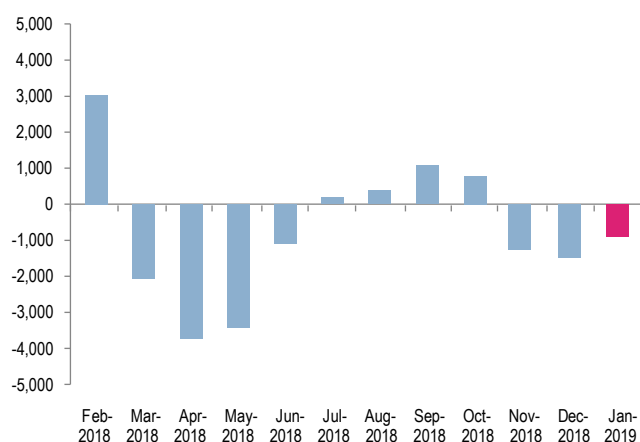
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Equities

European Equities

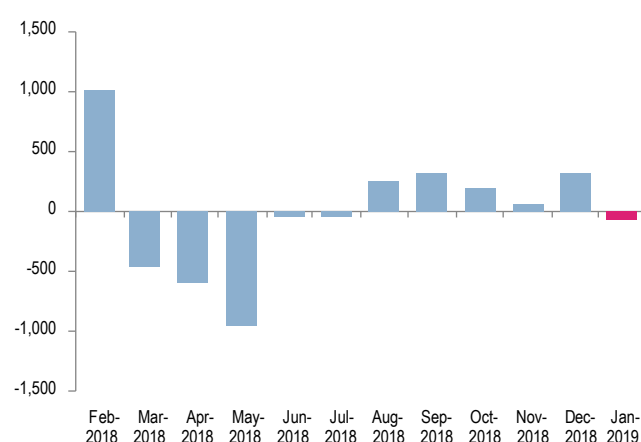
Another poor month for European equity ETFs

Monthly NNA on European equity ETFs



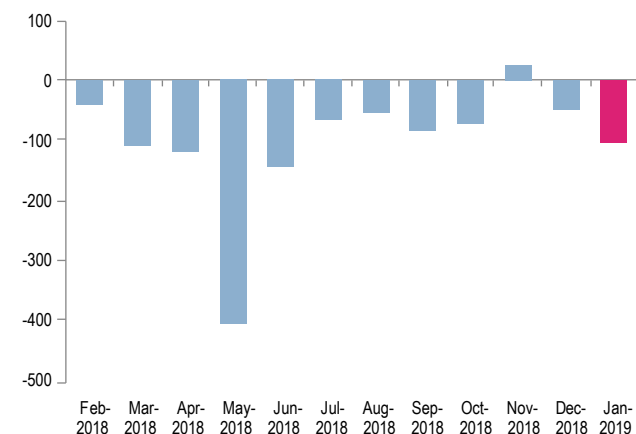
German equity ETFs flows turn for the worse

Monthly NNA on German equity ETFs



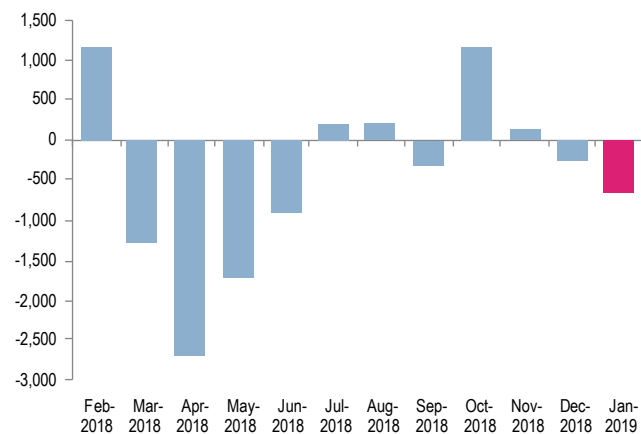
Negative trend for Spanish and Italian equities

Monthly NNA on peripheral Europe equity ETFs



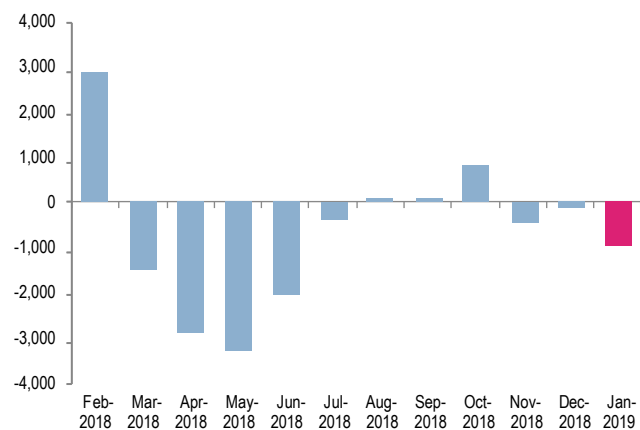
Developed Europe equities flows collapse again

Monthly NNA on developed Europe region equity ETFs



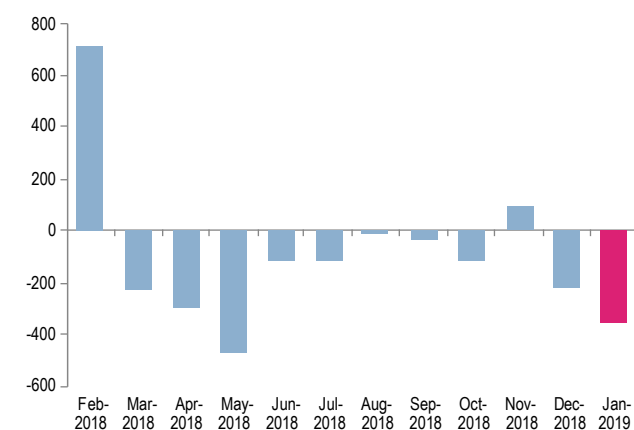
Eurozone equity ETFs flows decline sharply

Monthly NNA on Eurozone equity ETFs



Outflows from financials ETFs accelerate

Monthly NNA on financials Europe equity ETFs



Source: Monthly data in EURM from 01/02/2018 to 31/01/2019, Bloomberg, Lyxor.
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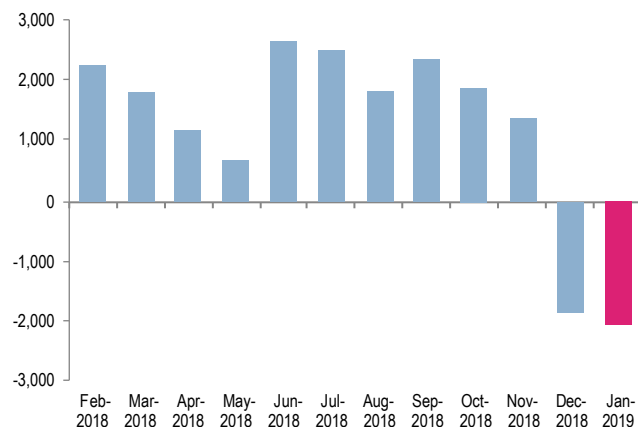
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Equities (cont'd)

US & Japan equities

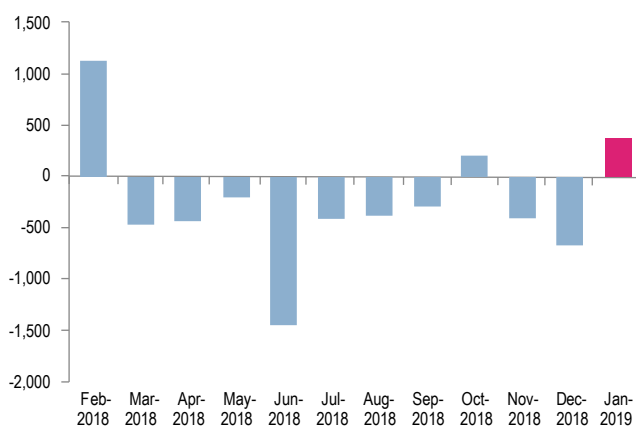
US equity ETFs suffer more outflows

Monthly NNA on US equity ETFs



Japan equity ETFs flows rebound

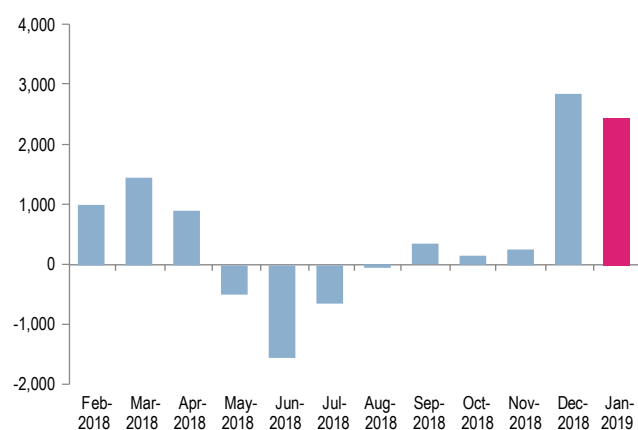
Monthly NNA on Japan equity ETFs



Emerging market equities

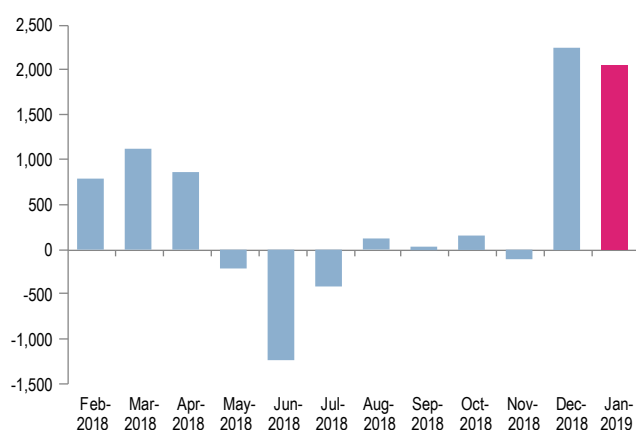
A second strong month for emerging markets equities

Monthly NNA on emerging market equity ETFs



Broad EM equities enjoyed another strong month

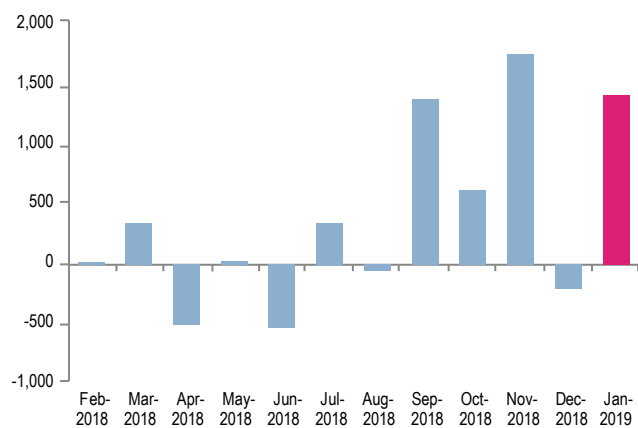
Monthly NNA on broad EM equity ETFs



Smart Beta / Value

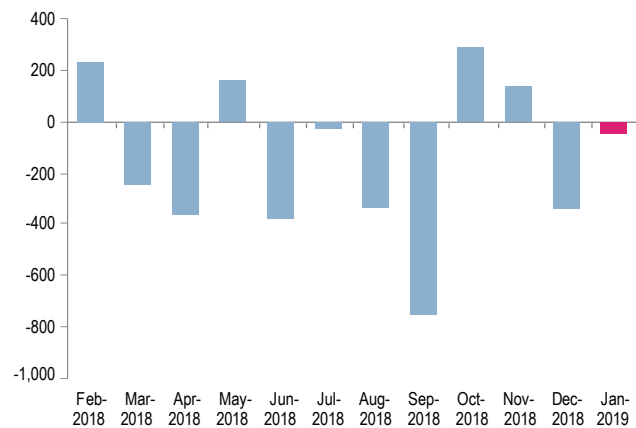
Smart beta ETFs flows turn largely positive

Monthly NNA on smart beta ETFs



Little to no interest in Value

Monthly net new assets on value style equity ETFs



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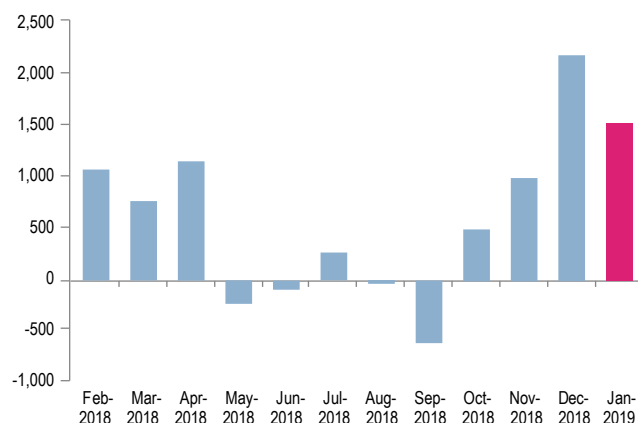
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Fixed Income

European Govies

EU government bond ETFs continue to enjoy massive inflows

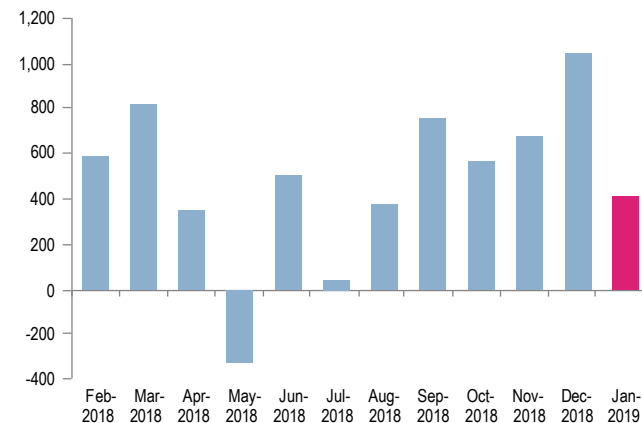
Monthly NNA on EU government bond ETFs



US Govies

8th consecutive positive month for US treasuries

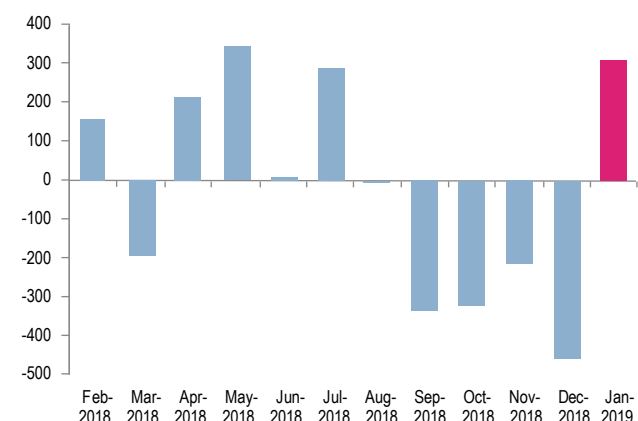
Monthly NNA on US government bond ETFs



Inflation Linked

Inflation-linked bond flows turn positive

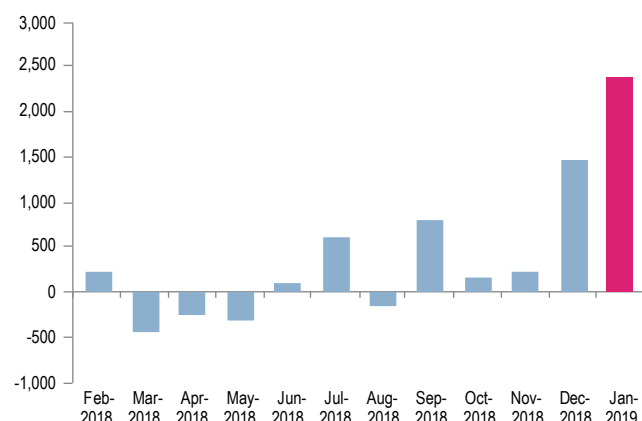
Monthly NNA on inflation-linked bonds ETFs



EM debt

Emerging debt ETFs flows strengthen sharply

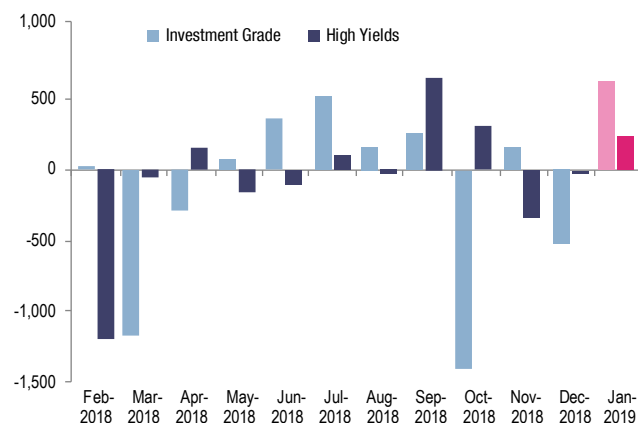
Monthly NNA on emerging market debt ETFs



Credit Market

IG bonds outdo HY peers

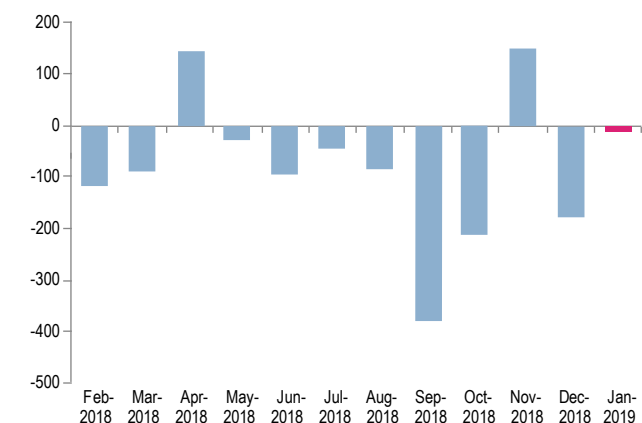
Monthly NNA on investment grade & high yield bond ETFs



Short-bond strategy

Little interest in short bonds strategies

Monthly NNA on short bond strategy ETFs



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