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ETF Research Analyst

ETF flows slow again in an uncertain environment

Net new assets in the European ETF market dropped to €1.1bn in October – €4.8bn less than what we saw in September – given widespread political uncertainty and a lack of any obvious market trends. Equity inflows slowed to just €386m, after another strong month for US equities (€2.2bn) and further signs of renewed interest in European equities (€1.7bn) were offset by a terrible month for global equities (-€3.4bn). Fixed income ETF inflows halved in the rising rate environment (€701m), with investment-grade corporate bonds slumping to their worst month ever (-€1.3bn).

What happened last month?

- ▶ ETF flows dropped to €1.1bn from €5.9bn
- ▶ YTD flows now stand at €39bn



€1.1bn



Equity inflows collapse

€386m



Fixed income flows halve

€701m



Little interest in Commodities

-€3m



Interest in smart beta fizzles out

€381m

Source: Monthly data in EURM from 01/10/2018 to 31/10/2018 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 01/07/2018. Asset and flow data may be slightly adjusted as additional data becomes available.

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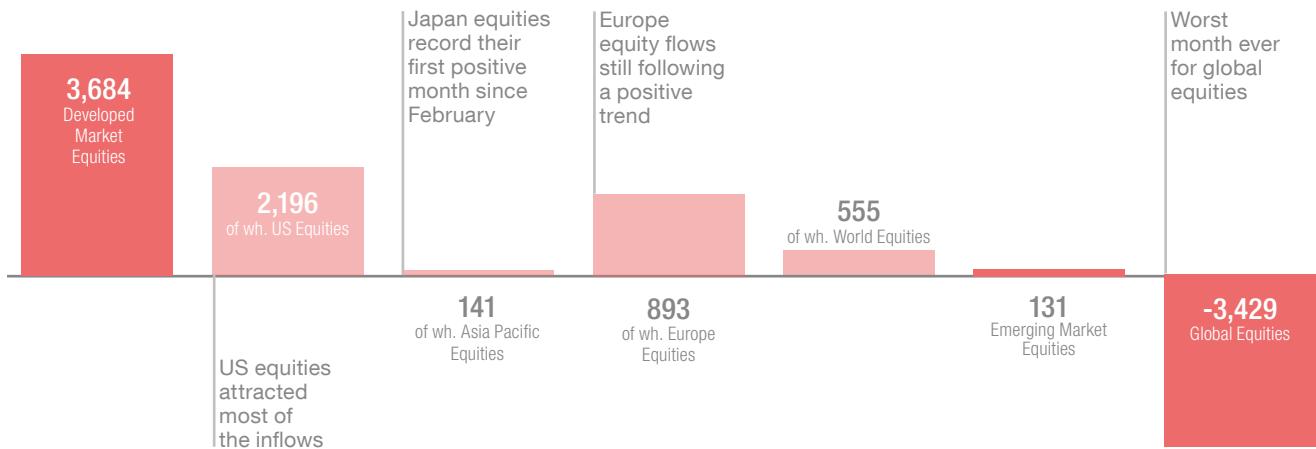
What were the major trends?

Equity inflows collapse



€386m

Monthly net inflows on European Equity ETFs

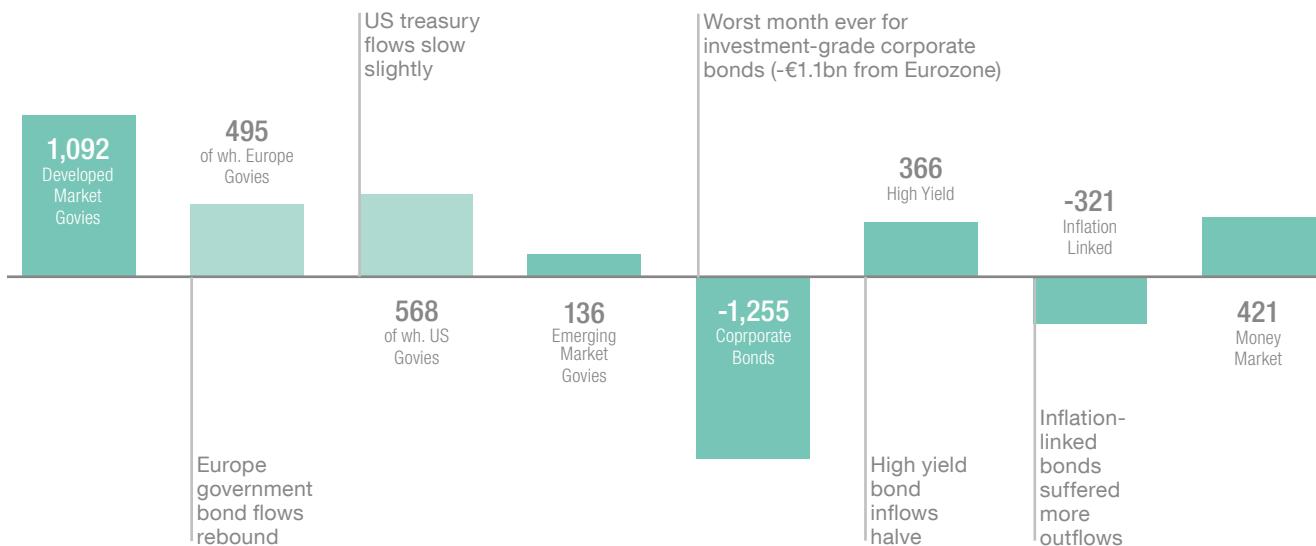


Fixed income flows halve



€701m

Monthly net inflows on European Fixed Income ETFs



Source: Monthly data in EURM from 01/10/2018 to 31/10/2018, Bloomberg, Lyxor.
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Special focus

Is sentiment on Japan finally turning?

Sentiment on Japan equity ETF flows may be turning. Monthly outflows have ceased for the first time since February. There are even some small inflows of €220m. This could be seen as the start of a turnaround – given improving PMI results (see graph below) and a better overall environment for equities. And, while the country's economy is unlikely to do anything other than move in line with moderating global growth, the corporate sector remains healthy. Cheap valuations and



Positive flows

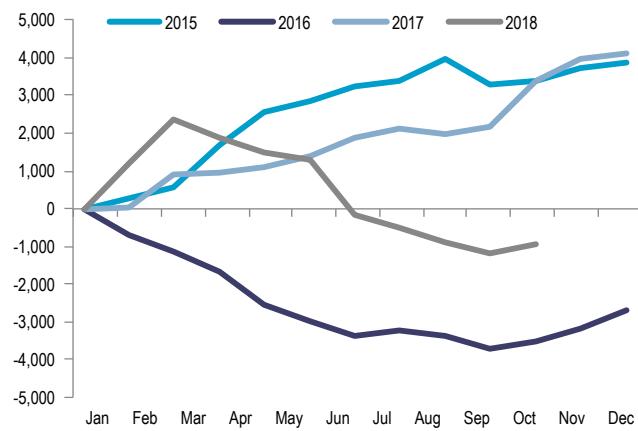
€220m

undemanding earnings expectations for next year should support and sustain a recovery in equity prices after the sell-off, especially if JPY weakens further. As for the choice of investment vehicle, ETF flows may be supported by the more favourable environment for passive as correlations are currently high and sector dispersion is low. Year-to-date, only 30% of active Japan equity managers have beaten their benchmark.

Japan equity ETFs monthly flows vs. Japan Manufacturing PMI



Japan equity ETF yearly cumulated flows



Source: Monthly data from 31/12/2014 to 31/10/2018, Bloomberg, Lyxor Cross Asset Research, Lyxor ETF.
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What does it all mean?

A moderate successful year so far - €6bn above 2016



ETFs on the rise

€39bn

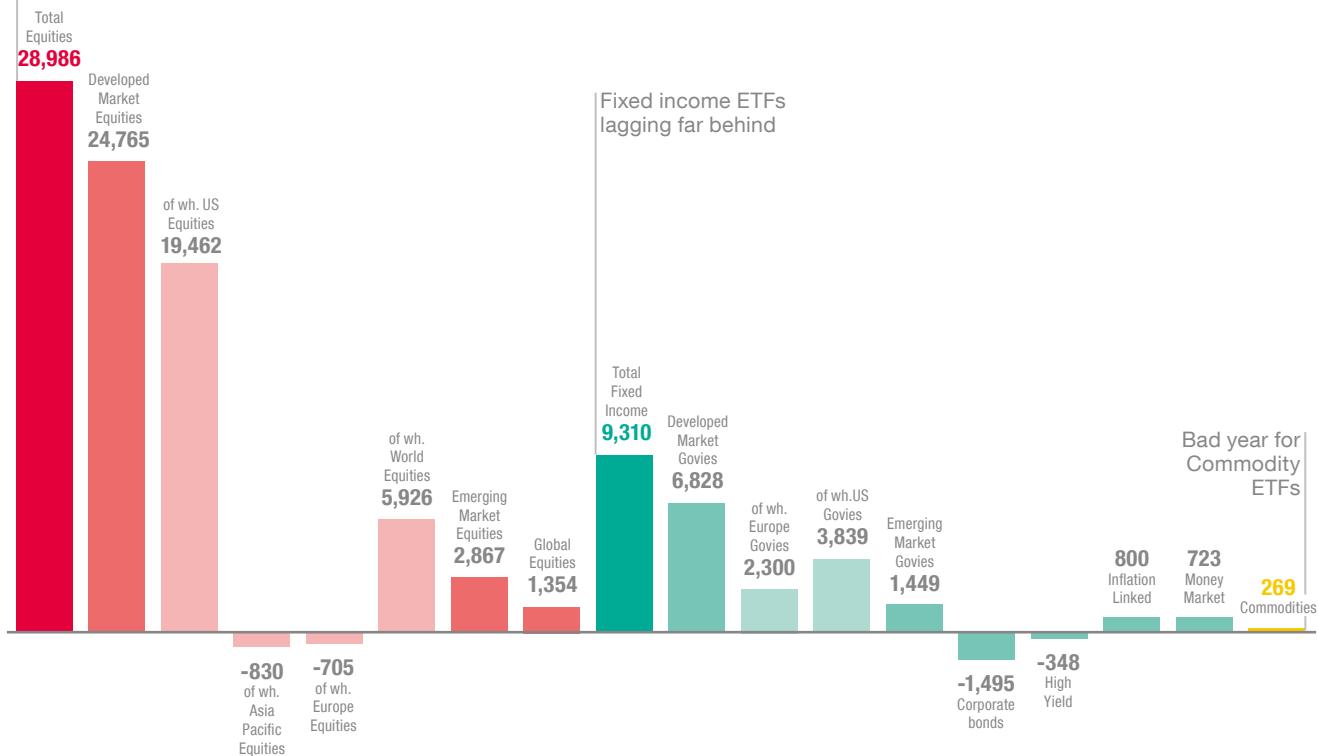


Total AUM is up 3.6% since 2017

€666bn

YTD net Inflows on European ETFs by asset class

Still a decent year
for Equity ETFs



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Source: Monthly data in EURM from 01/01/2018 to 31/10/2018, Bloomberg, Lyxor.
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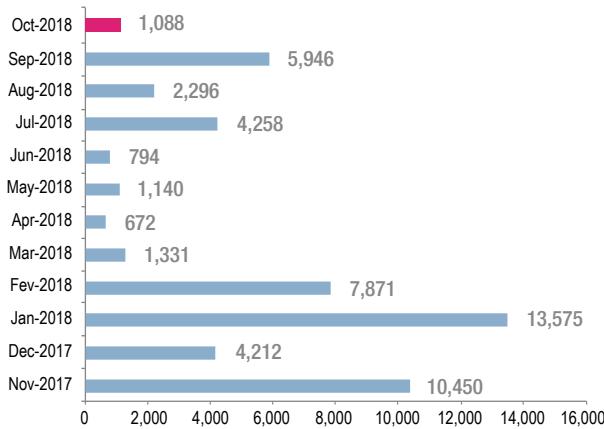
Appendix: The month in numbers

European ETFs in October 2018

Net Inflows (EURm)

NNA plunged to €1.1bn from €5.9bn in September

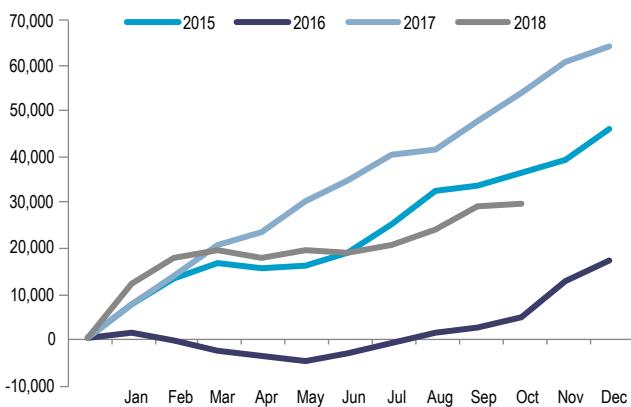
Monthly NNA on European ETFs



Equity

Still a good year for equity ETFs (€29bn YTD)

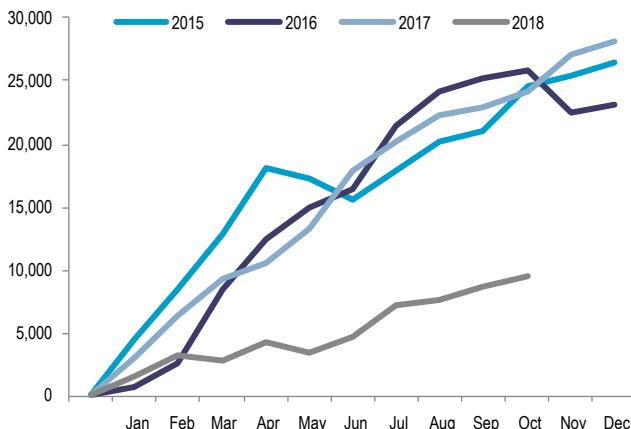
Cumulated monthly NNA on equity ETFs



Fixed income

Fixed income ETFs still lagging far behind (€9.3bn)

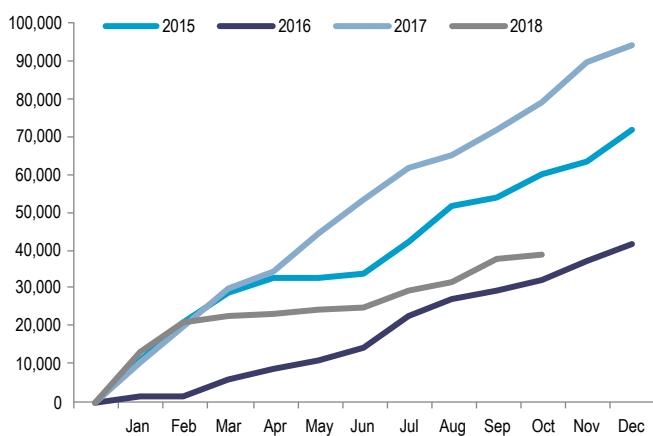
Cumulated monthly NNA on fixed income ETFs



Total

Still a decent year for European ETFs

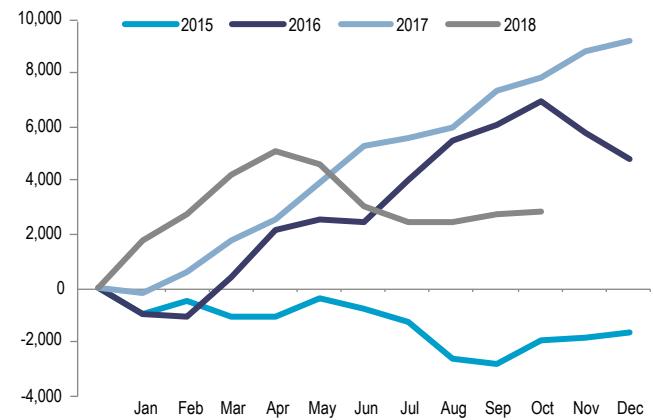
Cumulated monthly NNA on European ETFs



Equity Emerging Market

Moderate inflows YTD for emerging markets equity ETFs

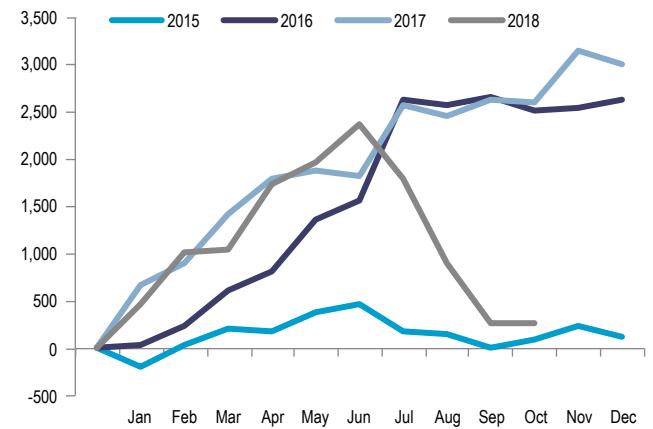
Cumulated monthly NNA on emerging market equity ETFs



Commodities

Bad year for commodity ETFs

Cumulated monthly NNA on commodity ETFs



Source: Monthly data in EURm from 01/01/2015 to 31/10/2018, Bloomberg, Lyxor.

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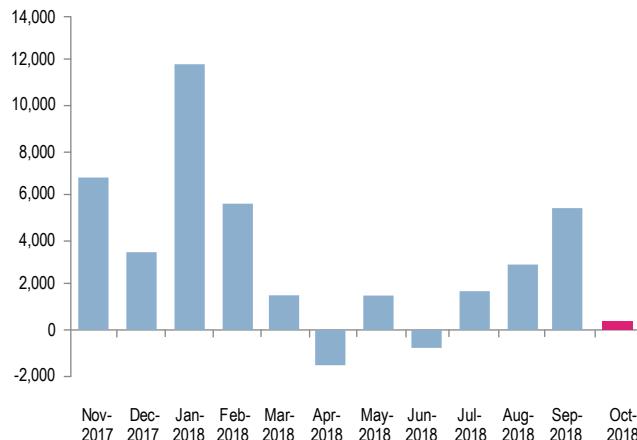
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Overview by asset class

Equity

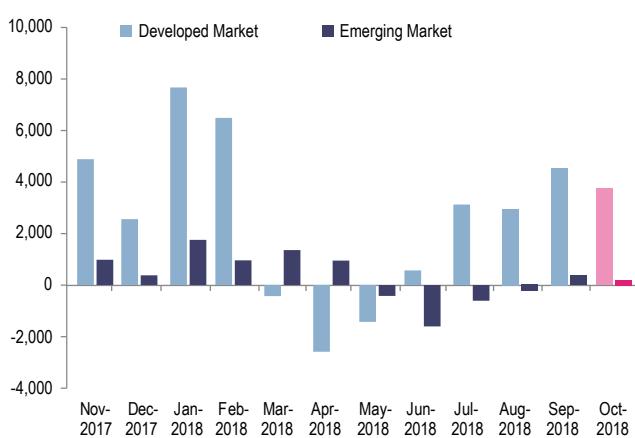
Equity inflows collapsed

Monthly NNA on equity ETFs



Developed market equities still outdo EM peers

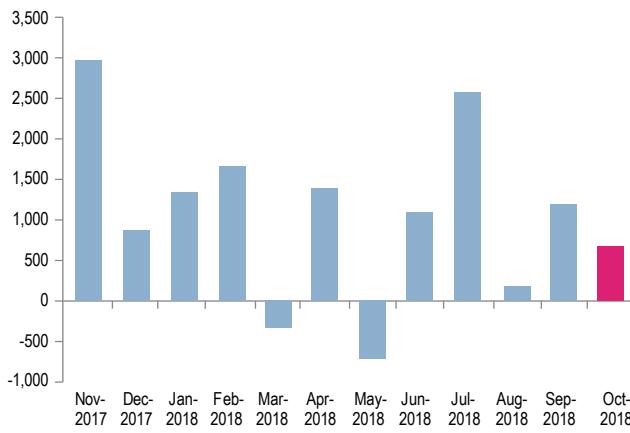
Monthly NNA on developed vs. emerging markets equity ETFs



Fixed Income

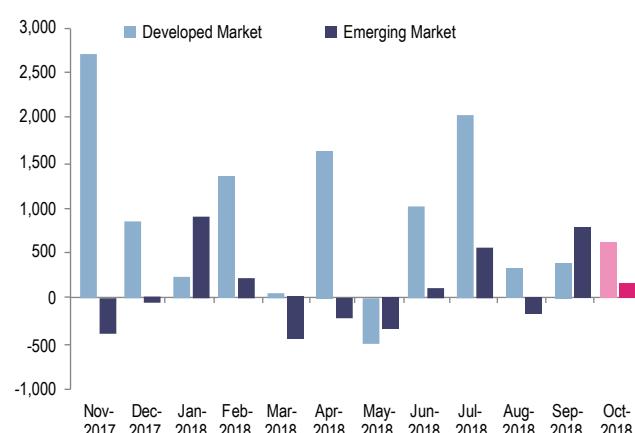
Moderate inflows for Fixed Income ETFs (€701m)

Monthly NNA on fixed income ETFs



DM bonds outdo EM peers again

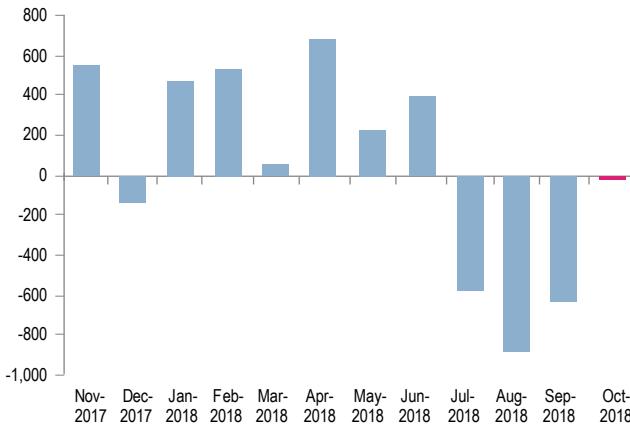
Monthly NNA on developed vs. emerging markets fixed income ETFs



Commodities

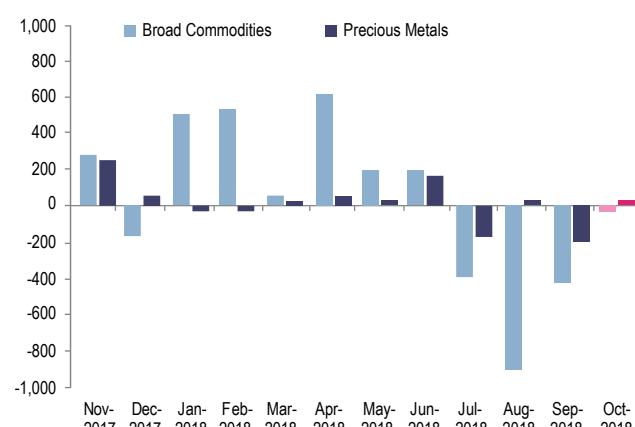
Outflows from commodity ETFs cease, for now

Monthly NNA on commodity ETFs



Virtually flat month for both commodity categories

Monthly NNA on broad & precious metals ETFs



Source: Monthly data in EURM from 01/11/2017 to 31/10/2018, Bloomberg, Lyxor.
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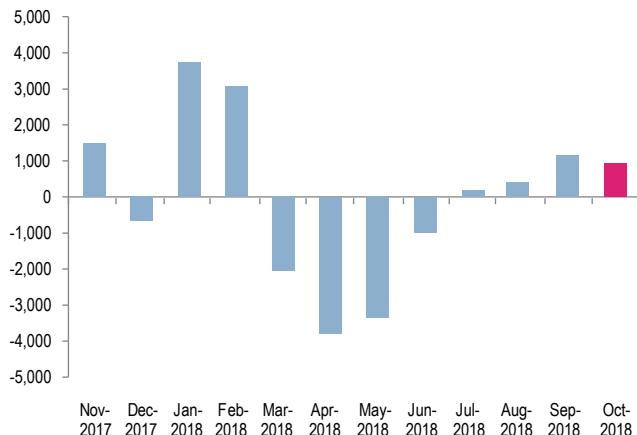
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Equities

European Equities

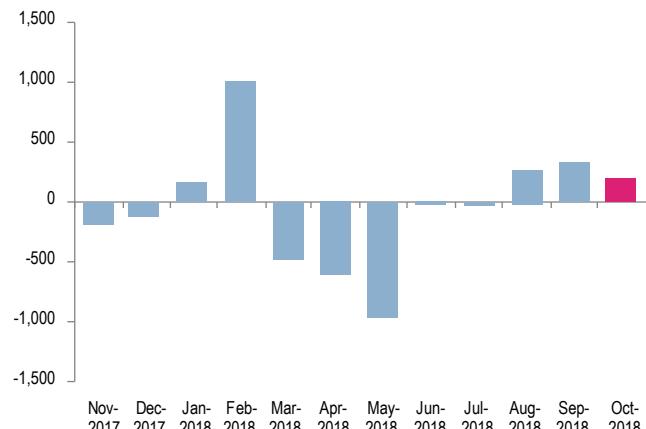
Fifth consecutive positive month for European Equity ETFs

Monthly NNA on European equity ETFs



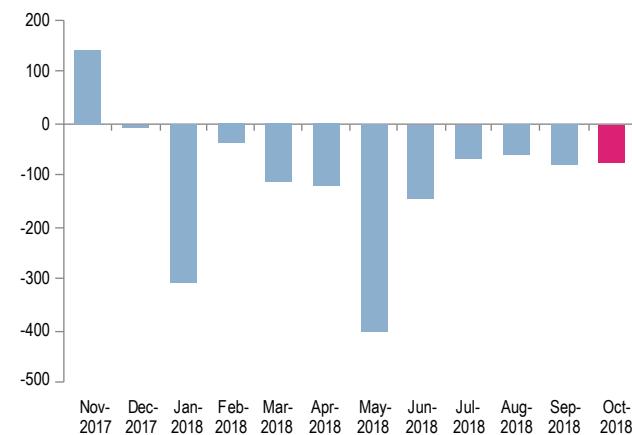
Weak inflows for German equity ETFs

Monthly NNA on German equity ETFs



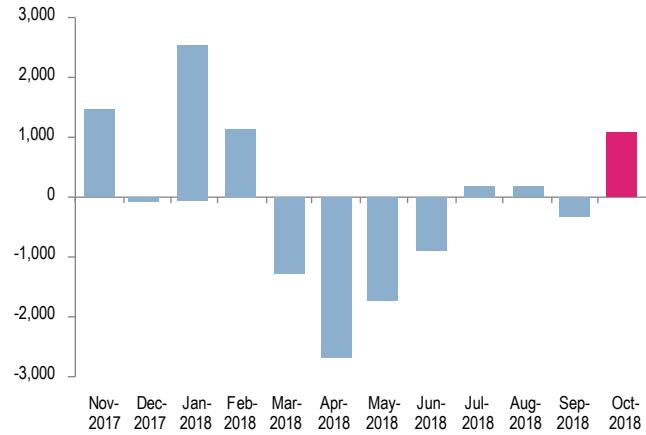
Eleventh negative month in a row for Spanish and Italian equities

Monthly NNA on peripheral Europe equity ETFs



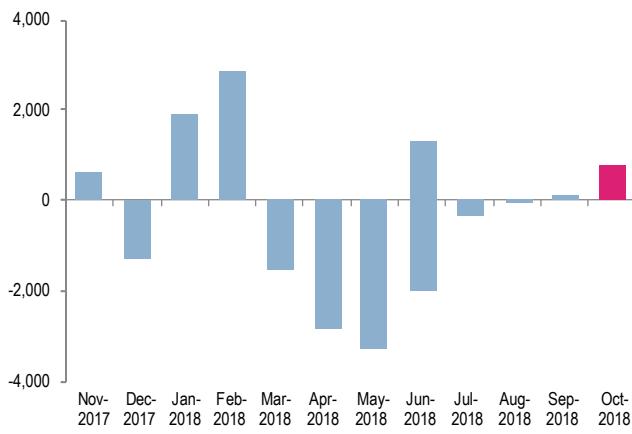
Flows on developed Europe equities rebound significantly

Monthly NNA on developed Europe region equity ETFs



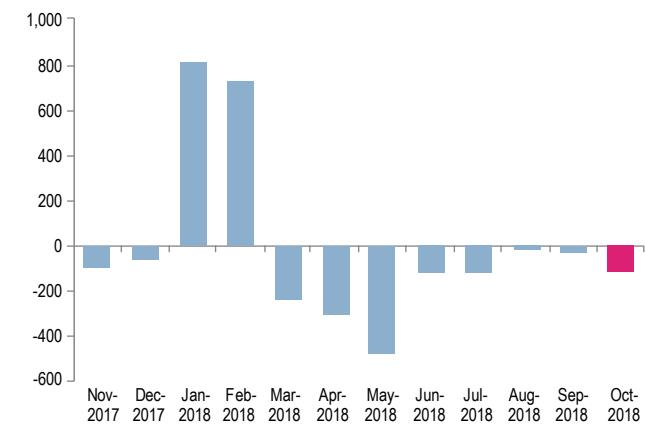
Eurozone equity inflows accelerate

Monthly NNA on Eurozone equity ETFs



Further outflows from financials Europe equity ETFs

Monthly NNA on financials Europe equity ETFs



Source: Monthly data in EURM from 01/11/2017 to 31/10/2018, Bloomberg, Lyxor.

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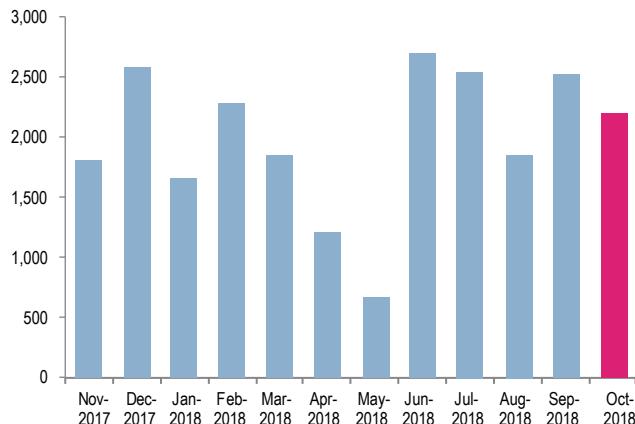
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Equities (cont'd)

US & Japan equities

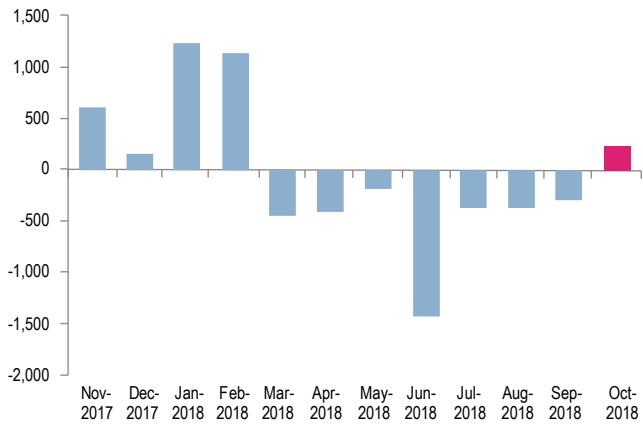
Positive trend continues for US equity ETFs

Monthly NNA on US equity ETFs



Flows on Japan equity ETFs turned positive

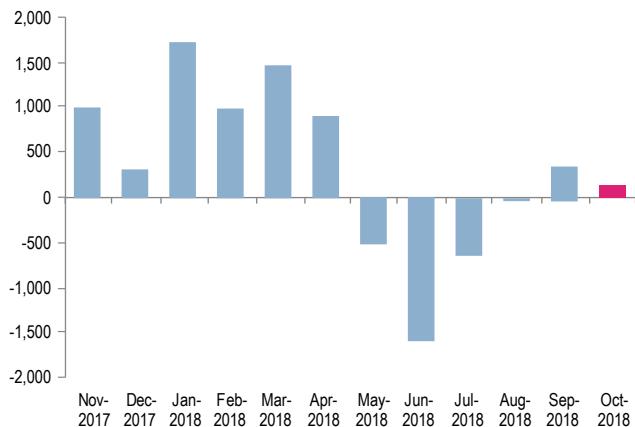
Monthly NNA on Japan equity ETFs



Emerging market equities

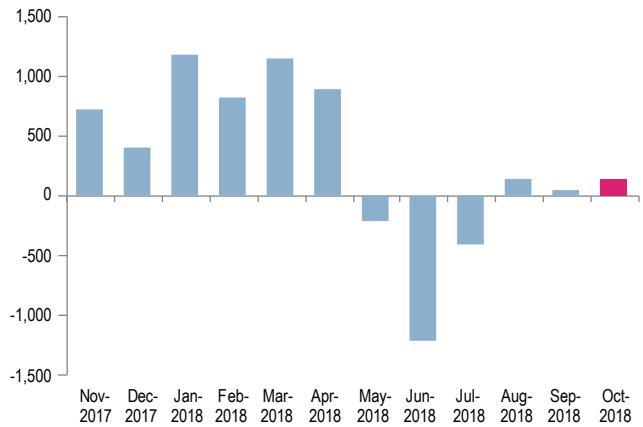
Flows on emerging market equity ETFs remain positive

Monthly NNA on emerging market equity ETFs



Weak inflows for broad EM equity ETFs

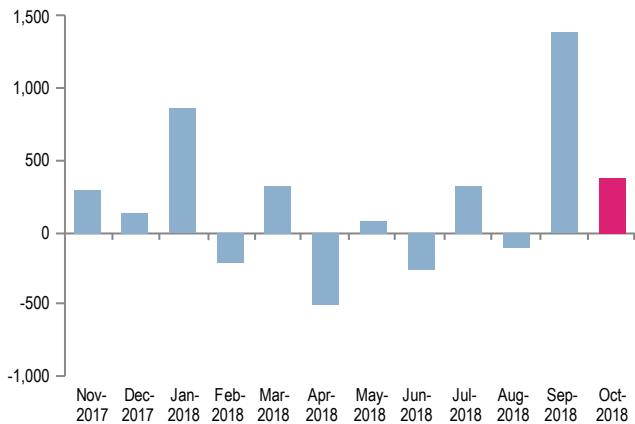
Monthly NNA on broad EM equity ETFs



Smart Beta / Value

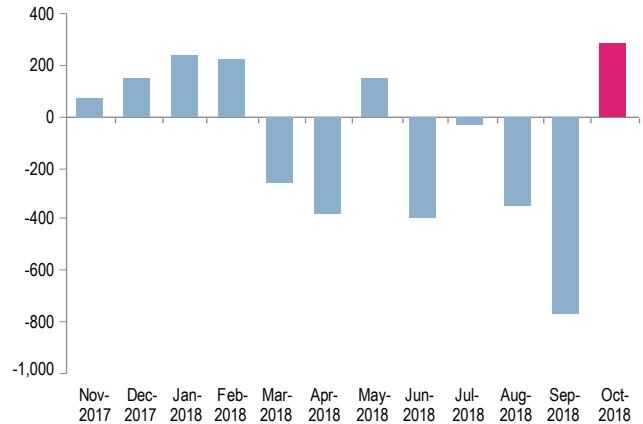
Inflows on smart beta ETFs fall sharply

Monthly NNA on smart beta ETFs



Significant rebound for value style equity ETFs

Monthly NNA on value style equity ETFs



Source: Monthly data in EURM from 01/11/2017 to 31/10/2018, Bloomberg, Lyxor.
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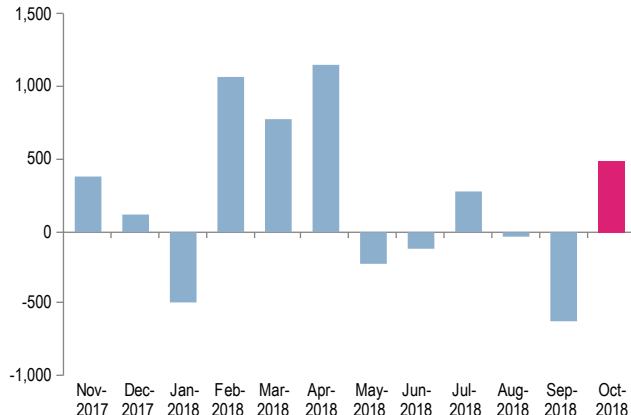
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Fixed Income

European Govies

Flows on EU government bonds turned positive

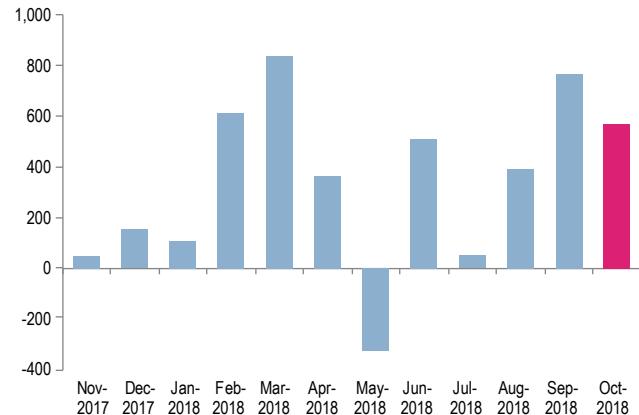
Monthly NNA on EU government bond ETFs



US Govies

Still strong inflows into US government bond ETFs

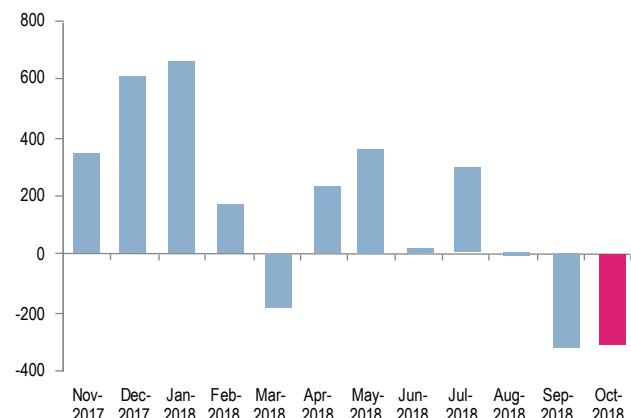
Monthly NNA on US government bond ETFs



Inflation Linked

Negative trend continues for inflation-linked bond ETFs

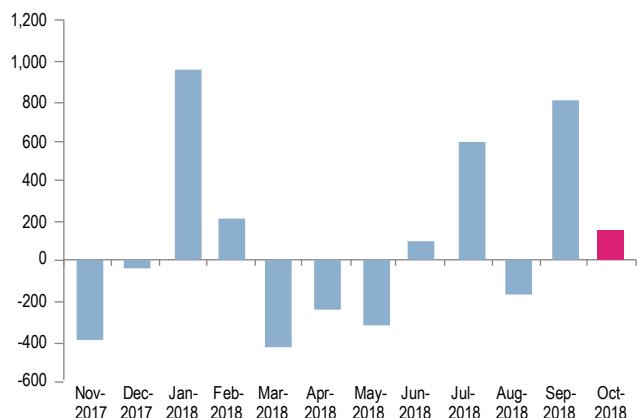
Monthly NNA on inflation-linked bonds ETFs



EM debt

Flows on emerging market debt collapse

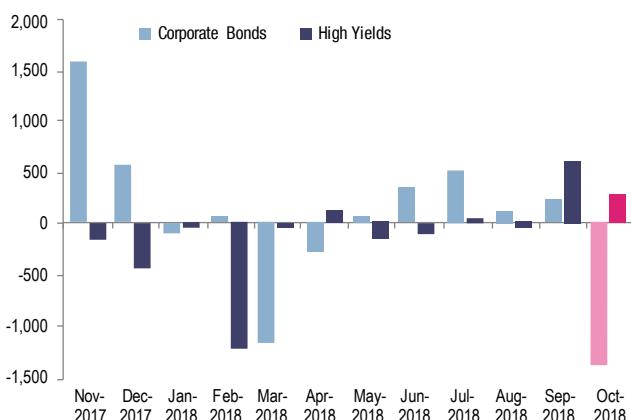
Monthly NNA on Emerging Market debt ETFs



Credit Market

High yield bonds outdo investment-grade peers again

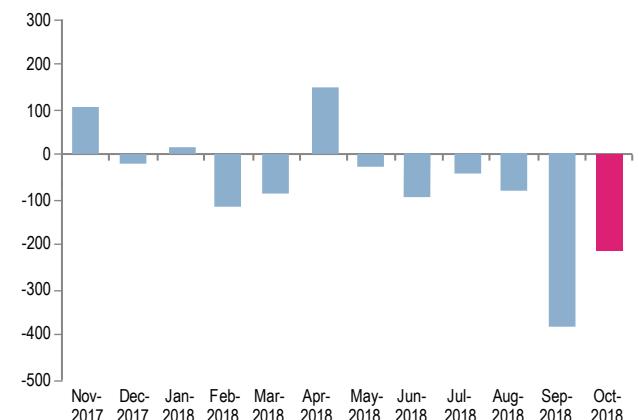
Monthly NNA on corporate & high yield bond ETFs



Short-bond strategy

Short bond strategy ETFs still unpopular

Monthly NNA on short bond strategy ETFs



Source: Monthly data in EURM from 01/11/2017 to 31/10/2018, Bloomberg, Lyxor.

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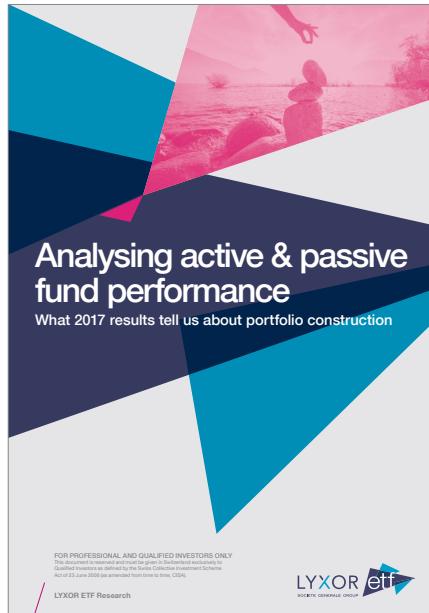
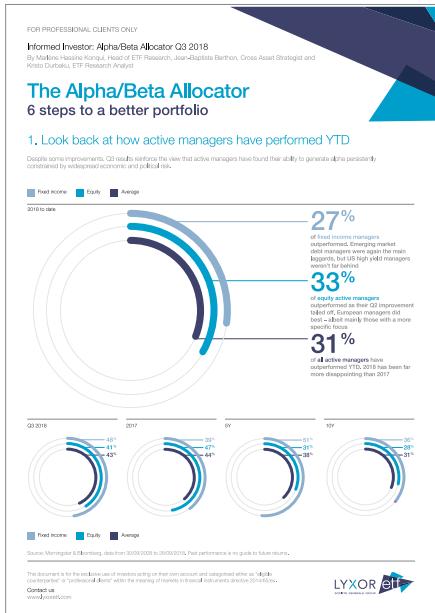
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performance

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