

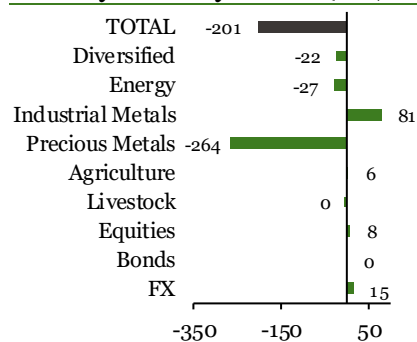
8 February 2018

ETF Securities Weekly Flows Analysis

Commodity outflows surge as US dollar rebounds

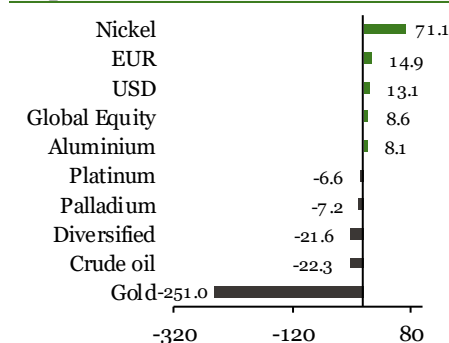
- **Inflows into nickel ETPs rise for the 3rd consecutive week, attaining their highest level since inception.**
- **Gold ETP outflows rise to their highest level since September 2017 on the back of a strong jobs report.**
- **Outflows from diversified basket ETPs climb to their highest level in 6 weeks, reversing 5 weeks of inflows.**

Weekly Flows by Sector (US\$ mn)



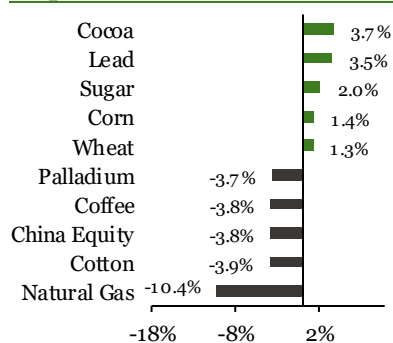
Inflows into nickel ETPs rise for the 3rd consecutive week, surging to their highest level since inception, totalling US\$71mn. The weaker US dollar coupled with a robust stainless steel market have helped drive nickel prices up 9% so far this year (as of 2 Feb 2018). Added to that, higher cobalt prices are triggering the substitution of cobalt with nickel in lithium-ion batteries, thereby raising expectations of future demand for nickel from battery led technology. The International Nickel Study Group (INSG) expects China to drive further demand growth in 2018. While Indonesian nickel ore production has driven global output to record levels, global inventories have been falling. Nevertheless, nickel's deficit is expected to be smaller in 2018 vs 2017 according to INSG.

Top 5 Inflows/Outflows (US\$ mn)



Gold ETP outflows worth US\$251mn rose to their highest level since September 2017. Despite the selloff in global equity markets last week, gold prices came under significant pressure after the US dollar rallied on the back of a strong US jobs report. US nonfarm payrolls jumped by 200,000 last month and average hourly wages climbed 2.9% year-on-year (the highest since May 2009). The acceleration in wage growth had long been awaited by market participants and drove speculation that the Federal Reserve would lift US interest rates more aggressively than previously expected. Gold, which offers no yield, remains vulnerable into a rising rate environment.

Top 5 / Bottom 5 Performers



Crude oil ETPs experienced the 24th consecutive week of outflows, totalling US\$22.3mn last week. US oil production is set to increase in the coming months partly owing to productivity gains and as drilling activity picks up. The Energy Information Administration (EIA) expects production in the US to rise by just shy of 1 million barrels per day this year, which should cover more than half of the increase in global oil demand estimated by the EIA. We expect to see crude oil prices correct owing to rising growth in US oil production and an increase in stocks in the first quarter.

Outflows from diversified basket ETPs amounting to US\$21.6mn surged to their highest level in 6 weeks, reversing 5 weeks of inflows. The commodity complex, led by energy and precious metals, suffered widespread losses last week as the greenback reversed its downward trend.

Source: ETF Securities
Note: see next page (*)