

Informed Investor: Money Monitor November 2018

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

Strong rebound for European ETFs

Net new assets in the European ETF market rebounded to €4bn in November – well up from the €753m we saw in October. Equities gathered the bulk of the inflows (€2.8bn), after another strong month for US equities (€1.4bn) and further signs of renewed interest in ESG ETFs (€491m) and China equities (€334m). Fixed income ETF inflows doubled, led by developed market government bonds after they enjoyed their best month ever (€1.9bn). Commodities, meanwhile, continued their descent.

What happened last month?

- ▶ ETF flows climbed to €4bn from €753m
- ▶ YTD flows now stand at €42.5bn



Source: Monthly data in EURM from 01/11/2018 to 30/11/2018 Bloomberg, Lyxor.

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

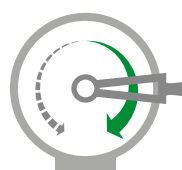
Note: This report is based on the data available on 01/12/2018. Asset and flow data may be slightly adjusted as additional data becomes available.

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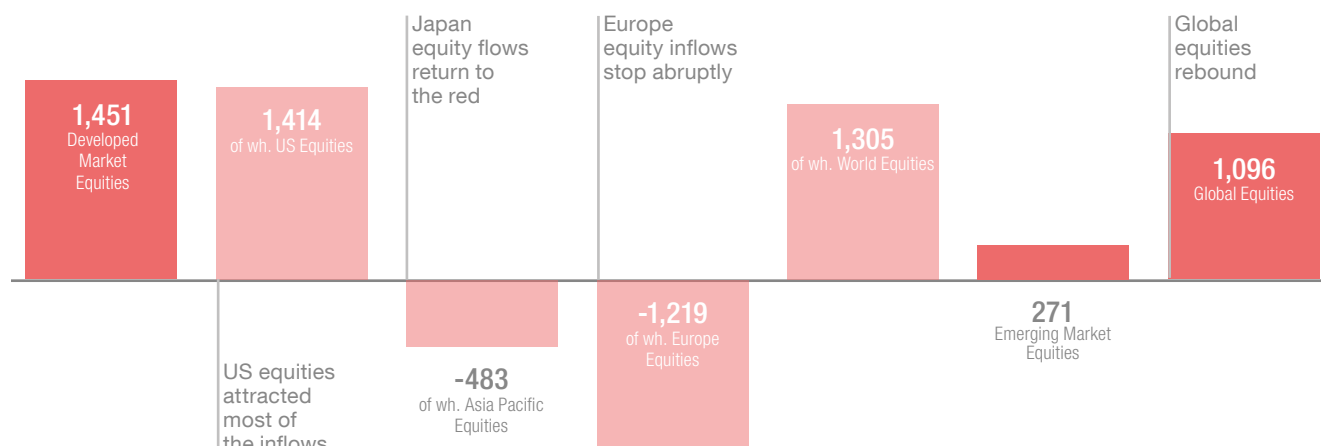
What were the major trends?

Equity inflows rebound



€2.8bn

Monthly net inflows on European Equity ETFs

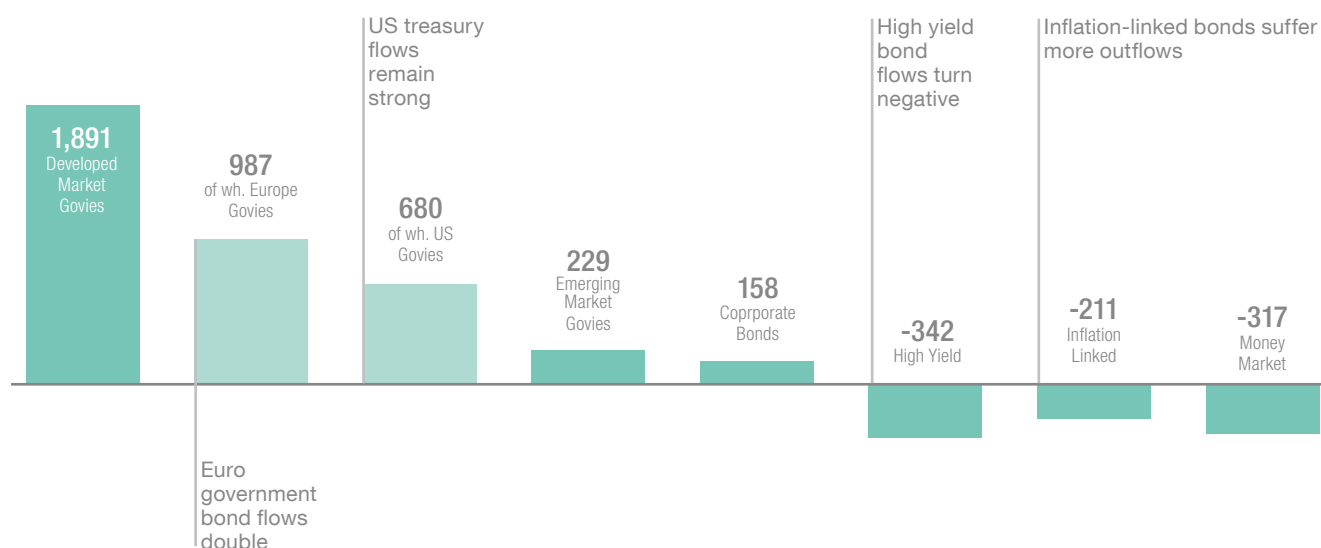


Fixed income flows double



€1.5bn

Monthly net inflows on European Fixed Income ETFs



Source: Monthly data in EURM from 01/11/2018 to 30/11/2018, Bloomberg, Lyxor.
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Special focus

China comes right into focus



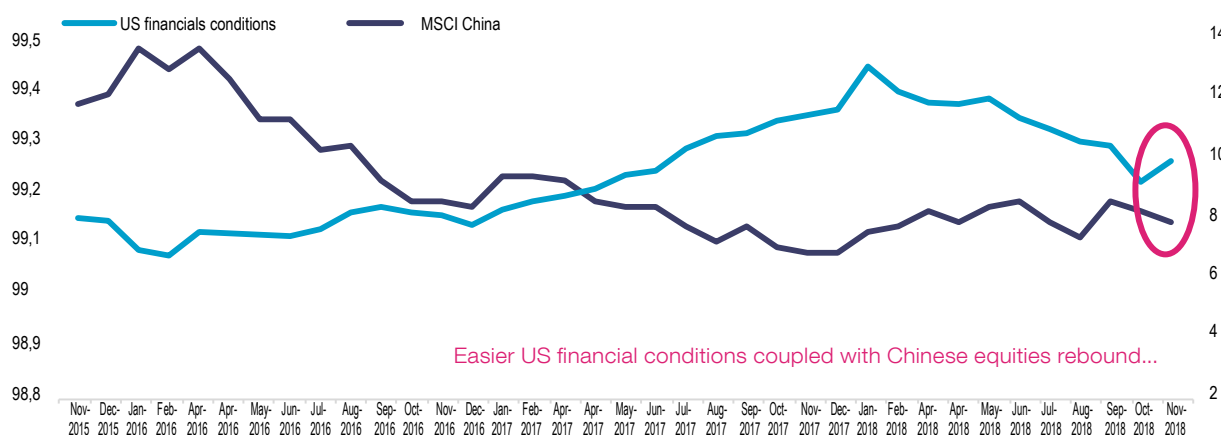
Strong inflows

€334m

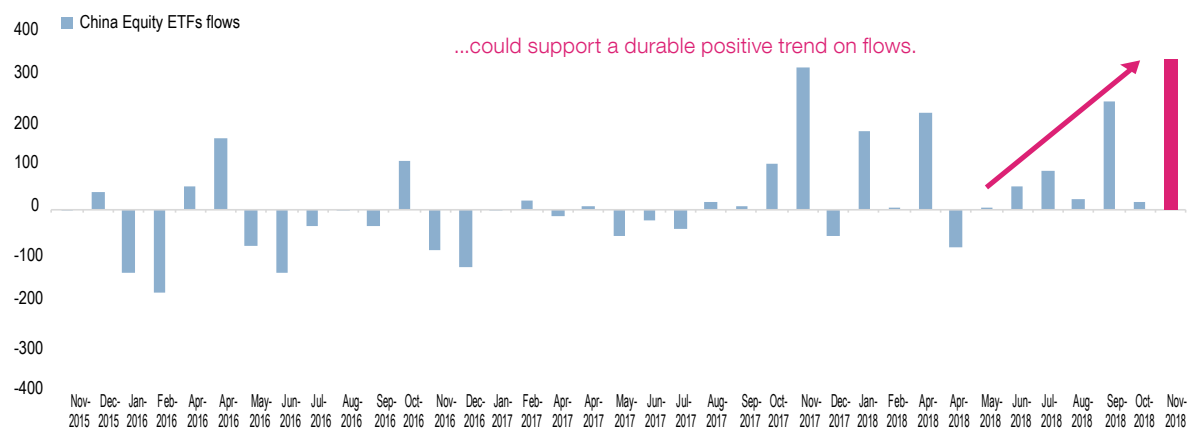
China equity ETF recorded their 3rd best month ever with €334m of inflows in November. This may be the latest sign of a more durable trend, which began in June as shown in Graph 2 below and is unmatched when looking at monthly flows on Chinese equities for the last three years. So, what's behind it? In our view, the equity investing environment is much more favourable than it was. First, Chinese equities may have bottomed out - given easier financial conditions in the US (see negative correlation

with Chinese equity prices in graph 1), a potential easing of trade tensions and the likelihood of more accommodative measures from the central bank and the Chinese government. Second, growth remains twice as fast as the US even if it is slowing right now – and that slowdown may only be down to more specific, possibly temporary factors anyway. Third, valuations are cheap and this could sustain a recovery after the recent sell-off (MSCI China fell 11.5% in October).

US financial conditions Index vs. MSCI China Index



China equity ETFs monthly flows



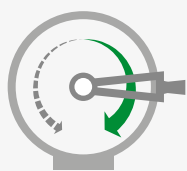
Source: Monthly data from 30/11/2015 to 30/11/2018, Bloomberg, Lyxor Cross Asset Research, Lyxor ETF. The figures relating to past performances refer to past periods and are not a reliable indicator for future results.

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What does it all mean?

A moderately successful year so far - €5bn above 2016



ETFs on the rise

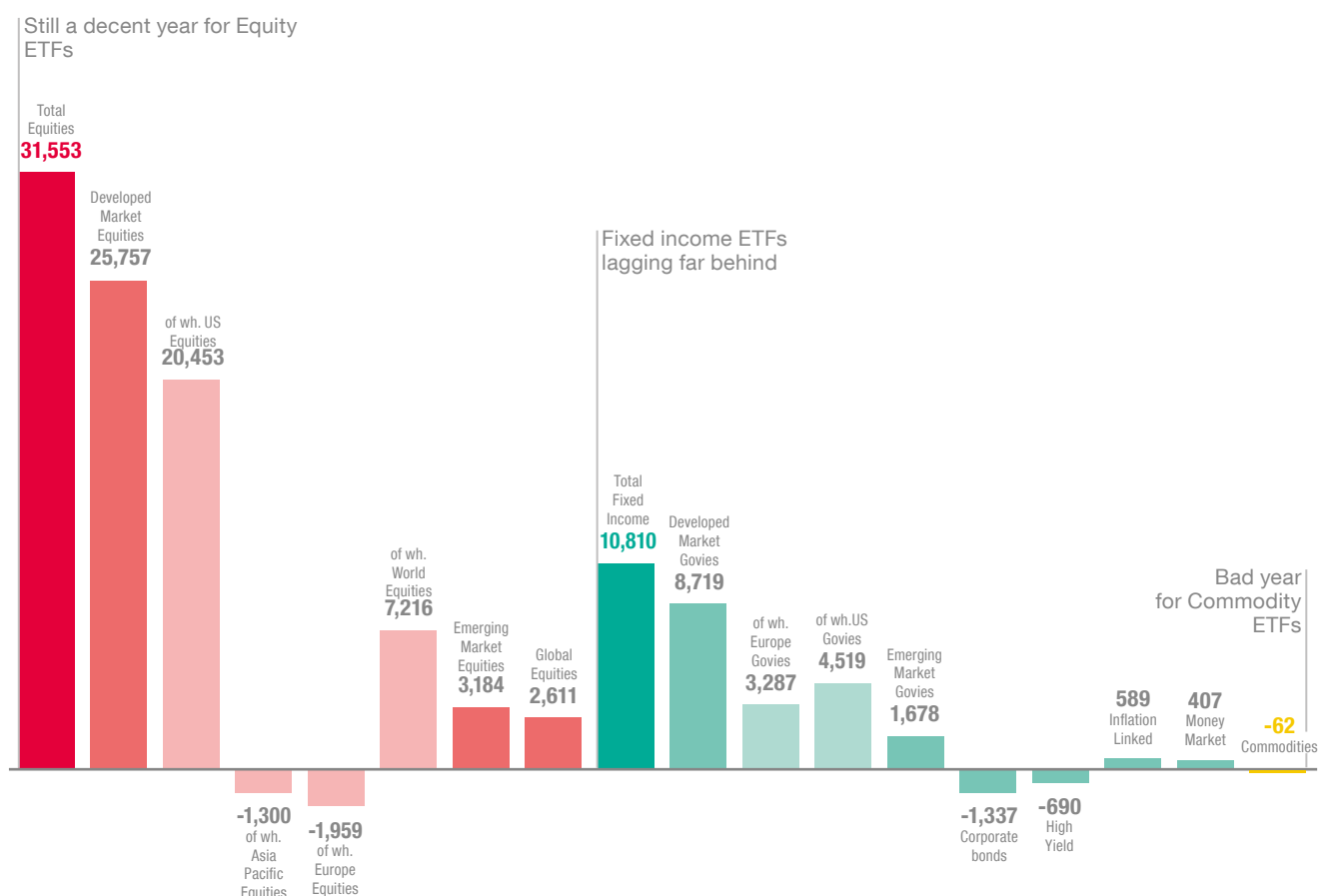
€45.5bn



Total AUM is up 4.5% since 2017

€666bn

YTD net Inflows on European ETFs by asset class



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Source: Monthly data in EURM from 01/01/2018 to 30/11/2018, Bloomberg, Lyxor.
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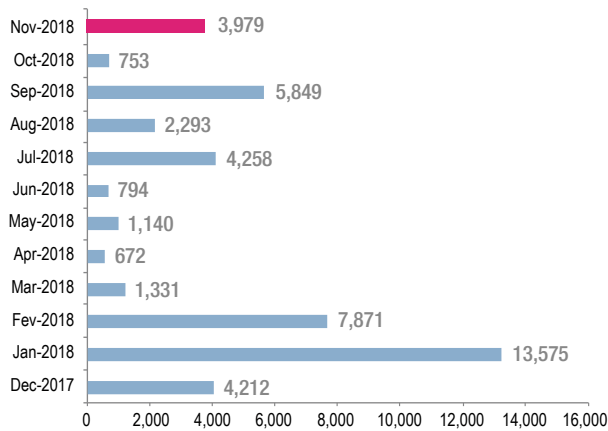
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Appendix: The month in numbers

European ETFs in November 2018 Net Inflows (EURm)

NNA rebound to €4.0bn from €753m in October

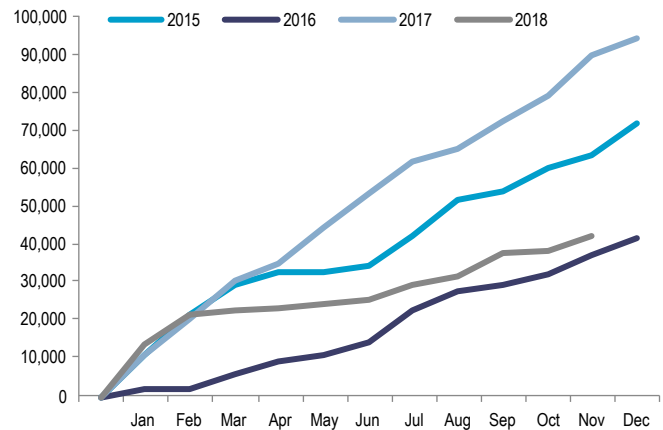
Monthly NNA on European ETFs



Total

Still a decent year for European ETFs

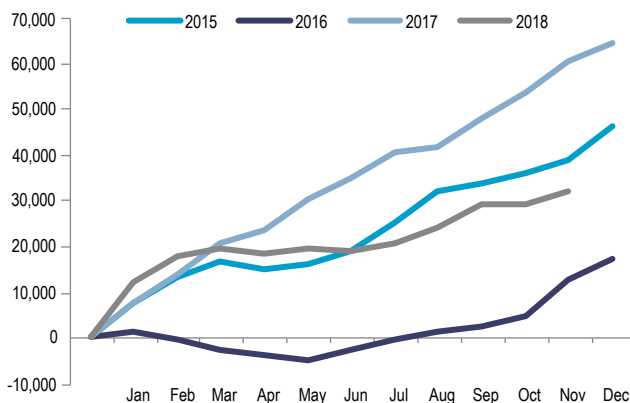
Cumulated monthly NNA on European ETFs



Equity

Still a good year for equity ETFs (€31.6bn YTD)

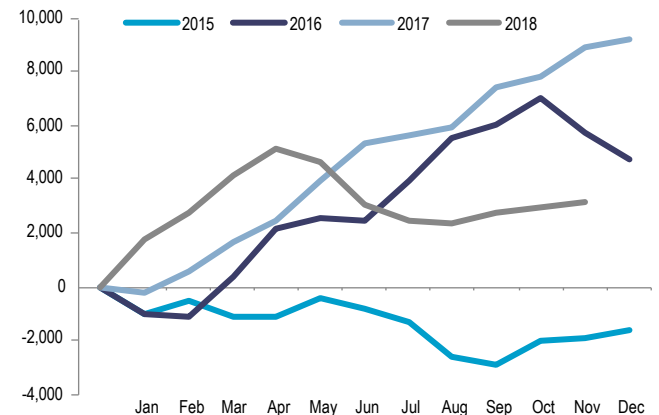
Cumulated monthly NNA on equity ETFs



Equity Emerging Market

Emerging market equity flows have slowed

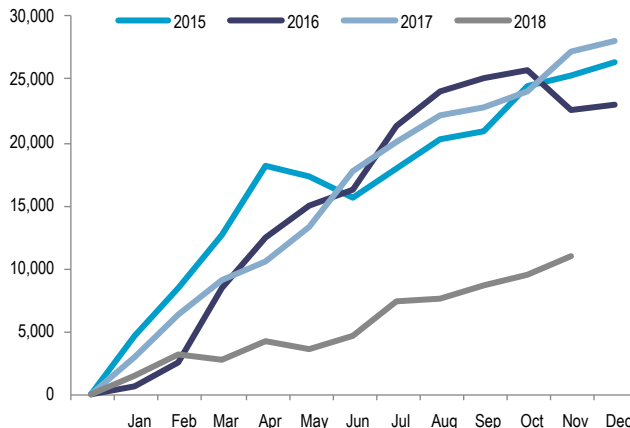
Cumulated monthly NNA on emerging market equity ETFs



Fixed income

Fixed income inflows head past the €10bn mark

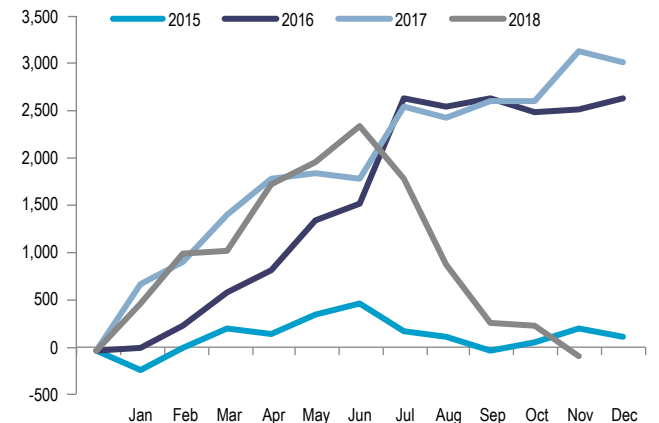
Cumulated monthly NNA on fixed income ETFs



Commodities

Worst ever year for commodity ETFs

Cumulated monthly NNA on commodity ETFs



Source: Monthly data in EURm from 01/01/2015 to 30/11/2018, Bloomberg, Lyxor.
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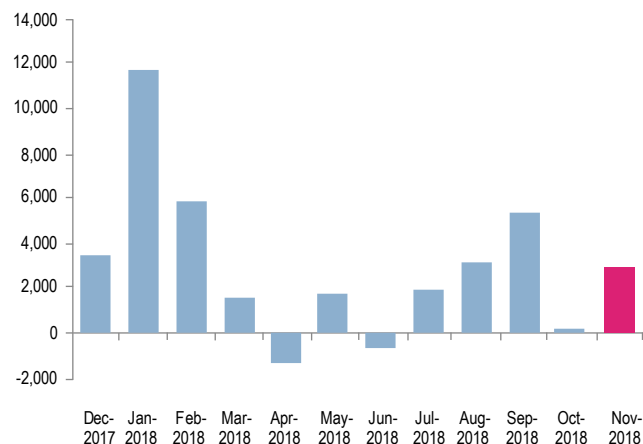
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Overview by asset class

Equity

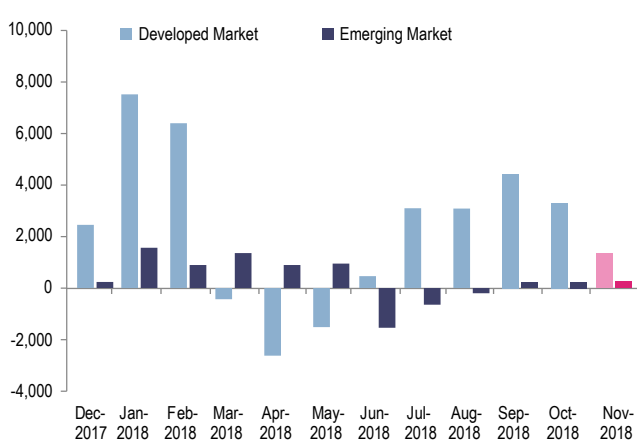
Equity inflows rebounded strongly

Monthly NNA on equity ETFs



Developed market equities still outdo EM peers

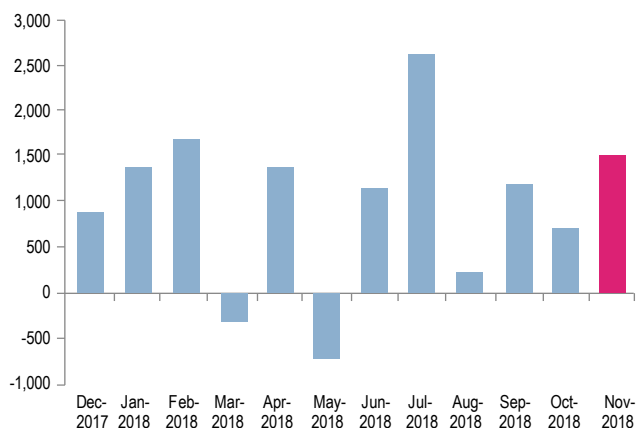
Monthly NNA on developed vs. emerging markets equity ETFs



Fixed Income

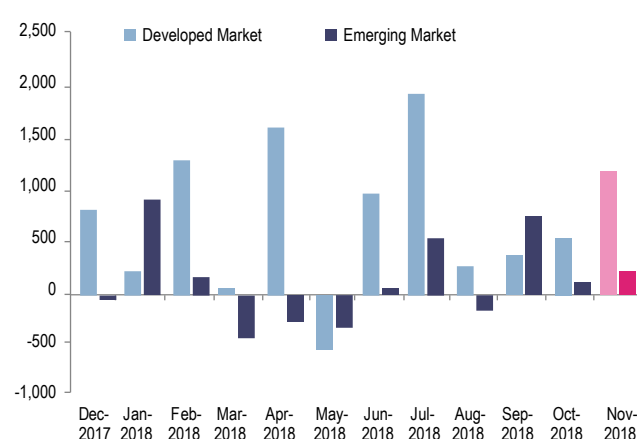
Significant inflows for Fixed Income ETFs (€1.5bn)

Monthly NNA on fixed income ETFs



DM bonds outdo EM peers again

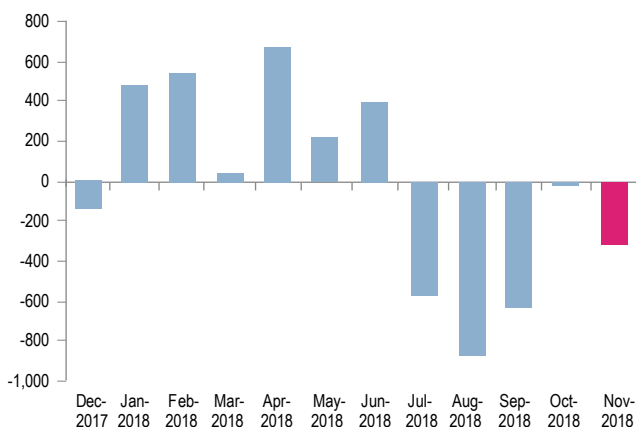
Monthly NNA on developed vs. emerging markets fixed income ETFs



Commodities

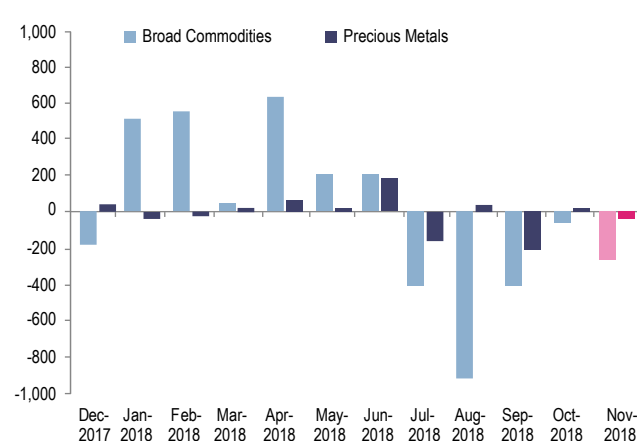
Flows into Commodity ETFs collapse again

Monthly NNA on commodity ETFs



...mainly due to broad commodity ETFs

Monthly NNA on broad & precious metals ETFs



Source: Monthly data in EURM from 01/12/2017 to 30/11/2018, Bloomberg, Lyxor.
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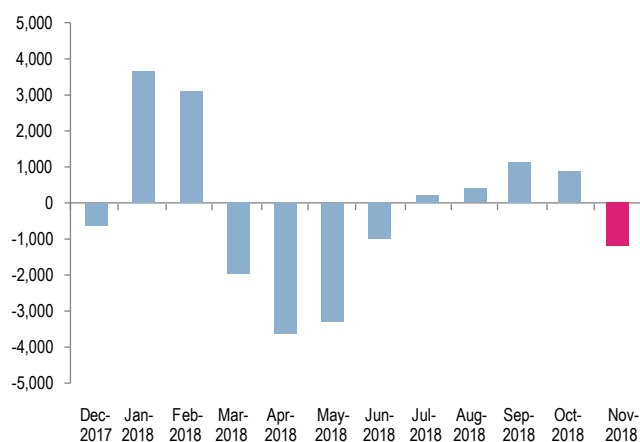
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Equities

European Equities

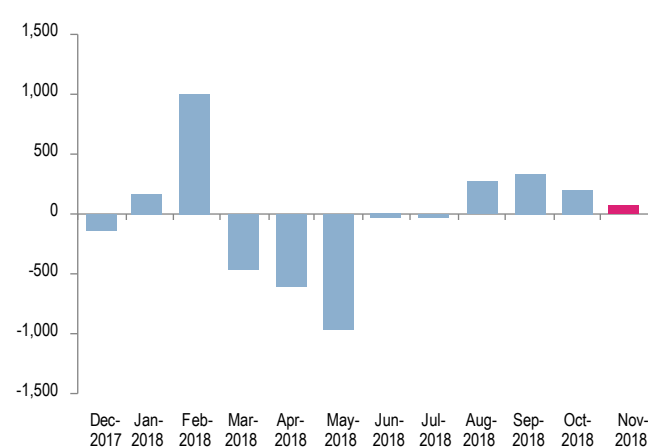
Flows on European Equity ETFs plummeted

Monthly NNA on European equity ETFs



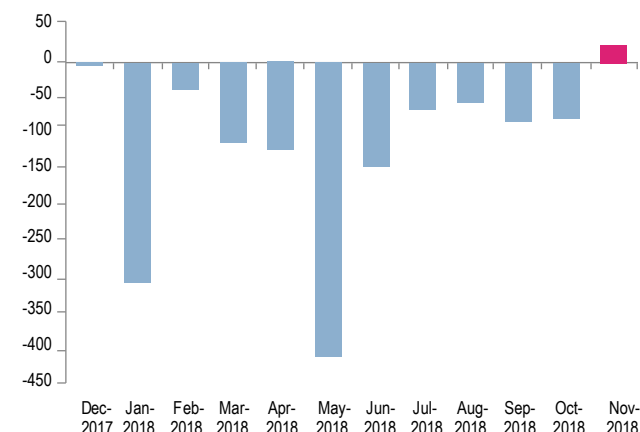
Virtual flat month for German equity ETFs

Monthly NNA on German equity ETFs



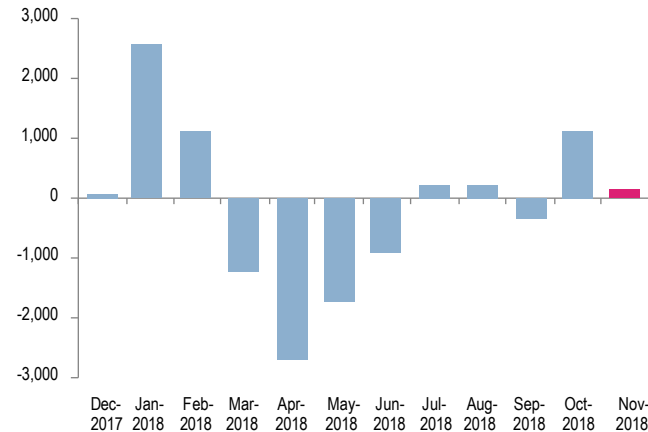
First positive month for Italian and Spanish equities since Nov-17

Monthly NNA on peripheral Europe equity ETFs



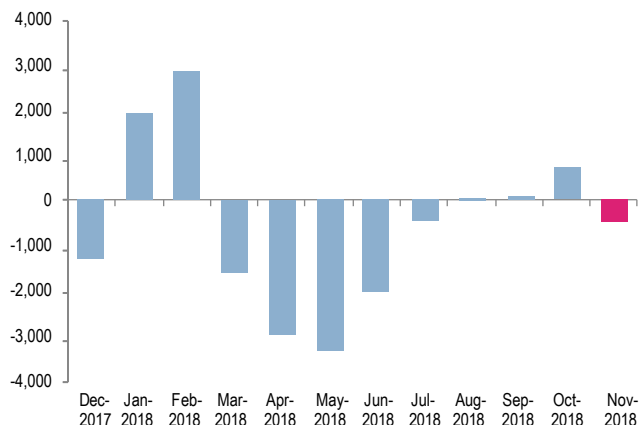
Little interest on developed Europe equities

Monthly NNA on developed Europe region equity ETFs



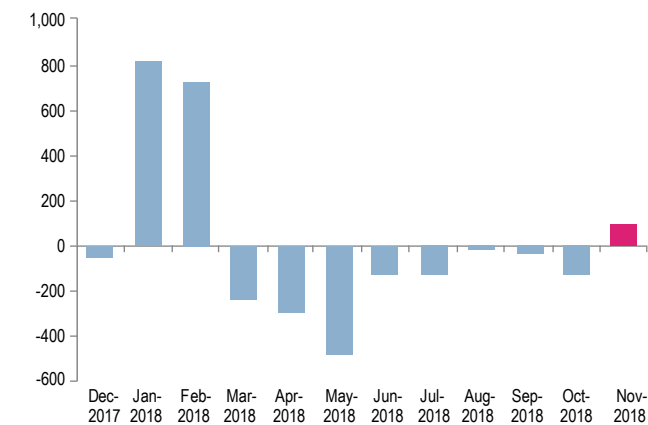
Eurozone equity flows turn negative

Monthly NNA on Eurozone equity ETFs



First positive flows into financials Europe equity ETFs since February

Monthly NNA on financials Europe equity ETFs



Source: Monthly data in EURM from 01/12/2017 to 30/11/2018, Bloomberg, Lyxor.
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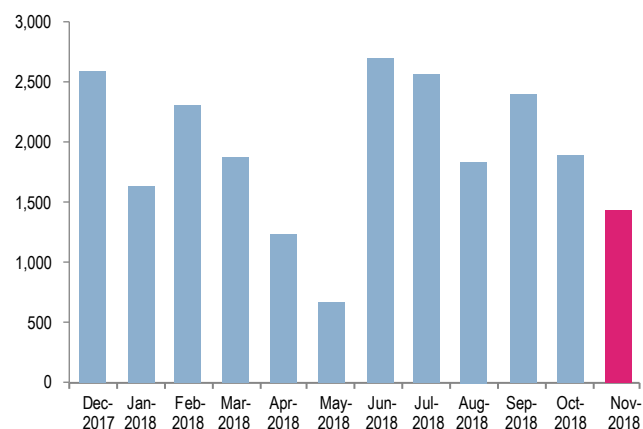
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Equities (cont'd)

US & Japan equities

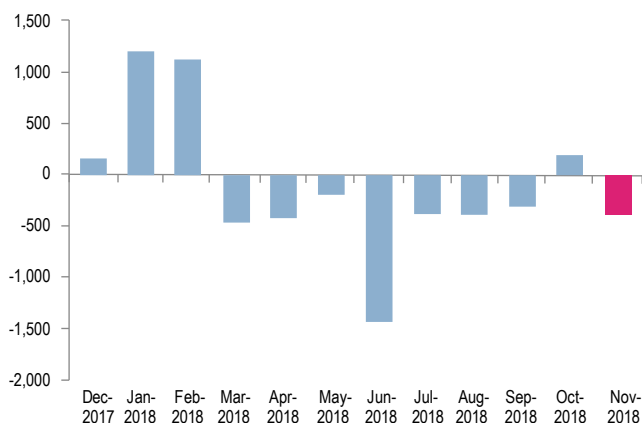
Positive trend weakens slightly for US Equity ETFs

Monthly NNA on US equity ETFs



Japan equity rebound wasn't reinforced

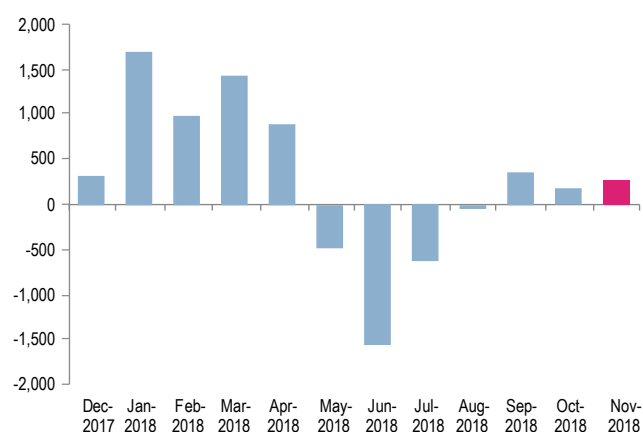
Monthly NNA on Japan equity ETFs



Emerging market equities

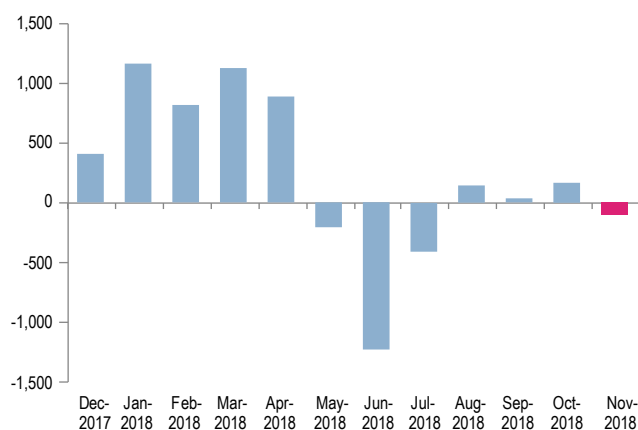
Small inflows continue on emerging market equity ETFs

Monthly NNA on emerging market equity ETFs



Still little interest on broad EM equity ETFs

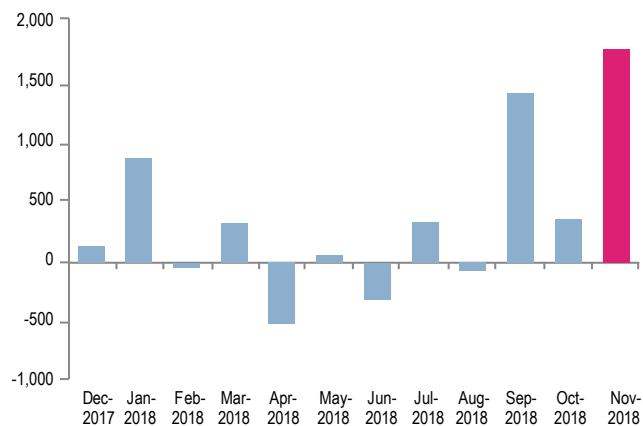
Monthly NNA on broad EM equity ETFs



Smart Beta / Value

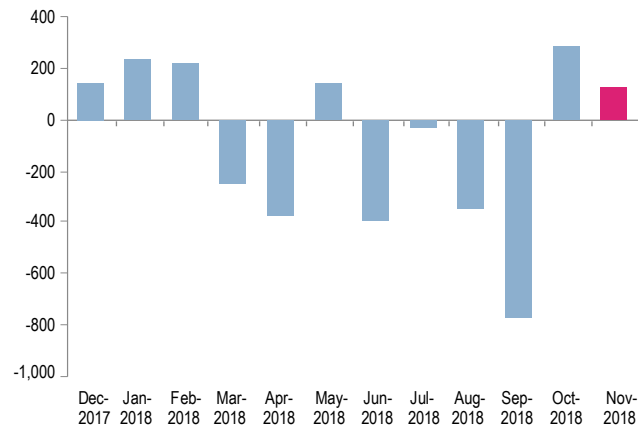
Best month ever for smart beta ETFs

Monthly NNA on smart beta ETFs



Second consecutive positive month for value style equity ETF flows

Monthly NNA on value style equity ETFs



Source: Monthly data in EURM from 01/12/2017 to 30/11/2018, Bloomberg, Lyxor.
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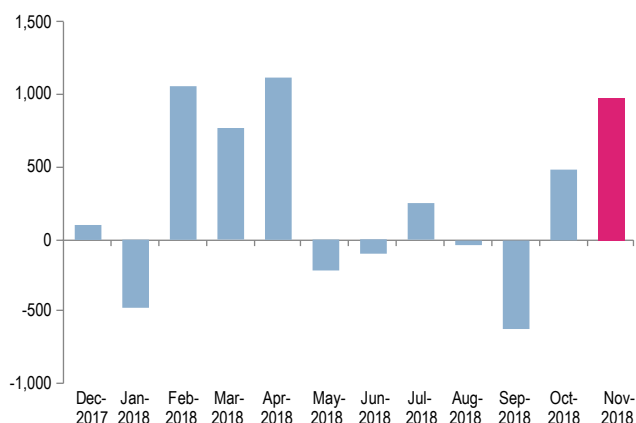
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Fixed Income

European Govies

Inflows into EU government bonds accelerate

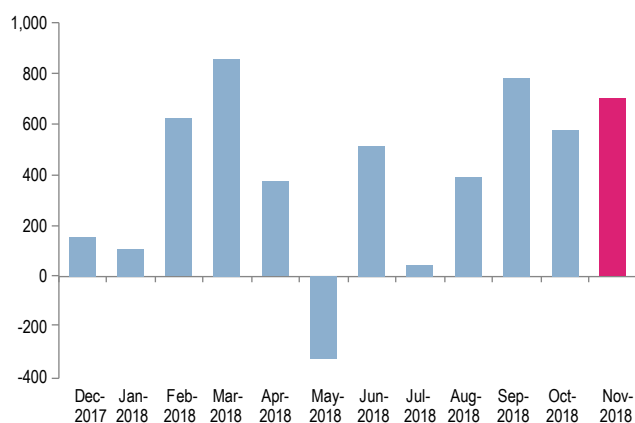
Monthly NNA on EU government bond ETFs



US Govies

Still solid inflows into US treasuries

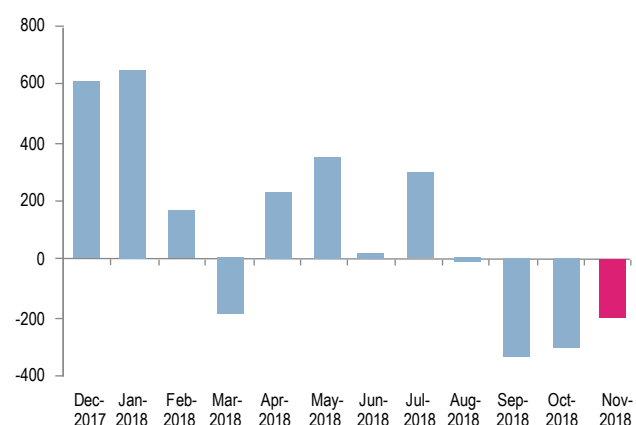
Monthly NNA on US government bond ETFs



Inflation Linked

Inflation-linked bond flows remain negative

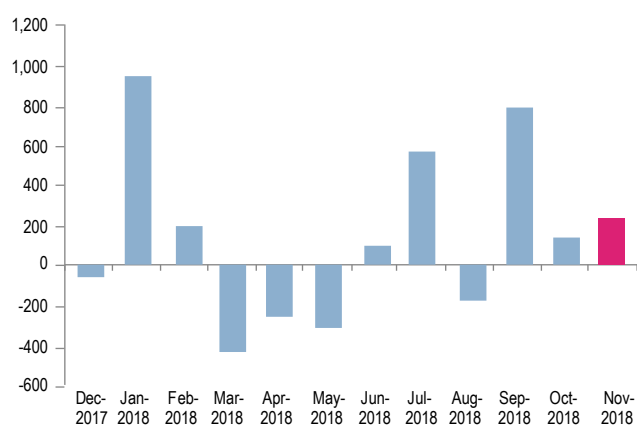
Monthly NNA on inflation-linked bonds ETFs



EM debt

Modest inflows into emerging market debt

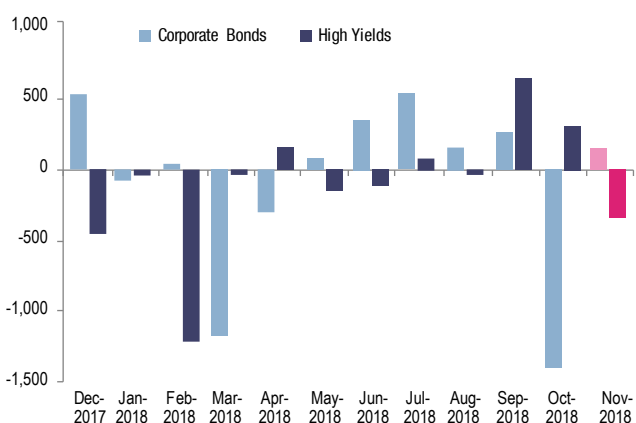
Monthly NNA on Emerging market debt ETFs



Credit Market

Corporate bonds favoured over HY peers

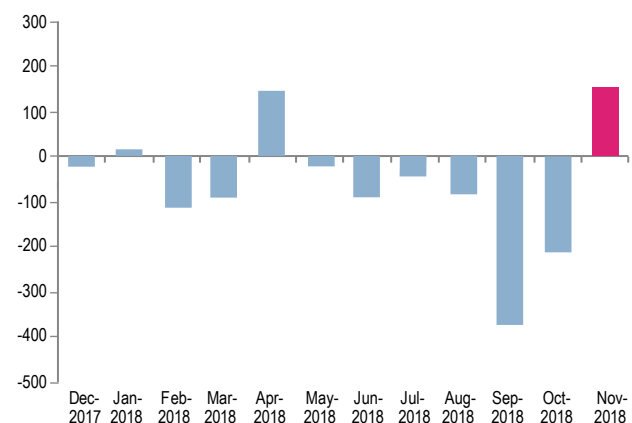
Monthly NNA on corporate & high yield bond ETFs



Short-bond strategy

Strong rebound for short bond strategies

Monthly NNA on short bond strategy ETFs



Source: Monthly data in EURM from 01/12/2017 to 30/11/2018, Bloomberg, Lyxor.
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Contact us

info@LyxorETF.ch | +41 58 272 33 44

ETF Research Team



Marlène Hassine Konqui
Head of ETF Research
+33 1 42 13 59 56
marlene.hassine@lyxor.com



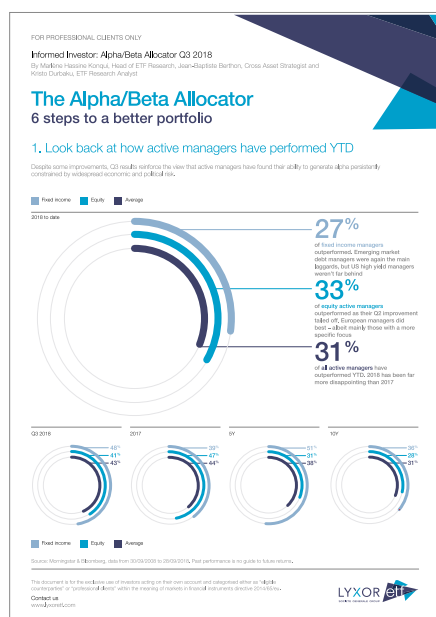
Kristo Durbaku
ETF Research Analyst
+33 1 57 29 25 96
kristo.durbaku@lyxor.com

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