

# Informed Investor: Money Monitor

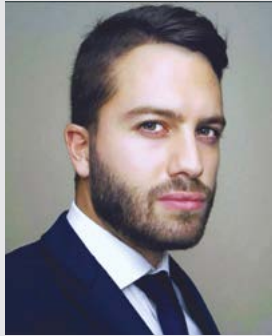
## A look back at European ETF market flows last month

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## Informed Investor: Money Monitor March 2019

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

# European ETF flows slow again

Net new assets in the European ETF market decelerated in March to €5.2bn from the €13.7bn we saw in February. Equity inflows collapsed (-€1.7bn) after strong outflows from developed market equities (-€2.1bn) and lesser inflows into emerging markets equities (€0.4bn).

At the same time, fixed income ETFs enjoyed massive inflows (€5.8bn) for a fourth consecutive month driven by developed corporate bonds and emerging market government bonds. Commodity ETFs flows, which had turned ever so slightly positive last month, resumed their negative trend.

It was another positive month for Smart Beta ETFs with €1.1bn of inflows, mostly on the quality factor. Lastly, ESG flows (€406m) were far lower than in February (€1.1bn) but are still positive on every one of the ESG categories.

### What happened last month?

- ▶ ETF flows dropped to €5.2bn from €13.7bn
- ▶ Fixed income flows remain strong, but equities suffered outflows

↑ €5.2bn



Equity flows reverse

-€1.7bn



Fixed income flows stay strong

€5.8bn



Commodities still suffering

-€288m



Smart beta inflows doubled

€1.1bn



Flows into ESG still positive

€406m

### How does the YTD picture look?

- ▶ ETF flows reached €26.6bn in Q1 2019 compared with €22.4bn in Q1 2018
- ▶ Flows have been driven by fixed income, smart beta and ESG

↑ €26.6bn



Weak start to a year for equities

€4.4bn



Record Q1 for fixed income

€17.1bn



More weakness for commodities

-€325m



Strong start for smart beta

€3.2bn



Record first quarter for ESG

€2.3bn

Source: Monthly data in EURM from 01/01/2019 to 31/03/2019 Bloomberg, Lyxor International Asset Management.  
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 31/03/2019.  
Asset and flow data may be slightly adjusted as additional data becomes available.  
All categories are exclusive and sum up to the total market flows.

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## Special focus

# Searching for yield

After a pause last year, the hunt for yield is firmly back on track in both the equity and the bond markets, fueled by more dovish central banks and declining interest rates.

In the fixed income space, both investment-grade and high yield corporate bonds have gathered strong inflows year-to-date – and enjoyed a record combined month in March with inflows of EUR3.6bn. IG corporate bond monthly flows of EUR2.3bn were their second best ever (just after the April 2016 record of EUR2.4bn when the second LTRO was announced). High yield bond ETF flows reached their own record of EUR1.3bn. Among equities, having

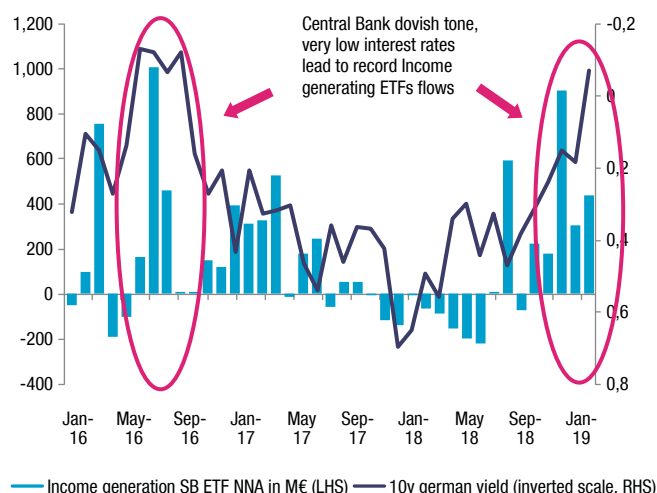
Near-record inflows

# €3.6bn

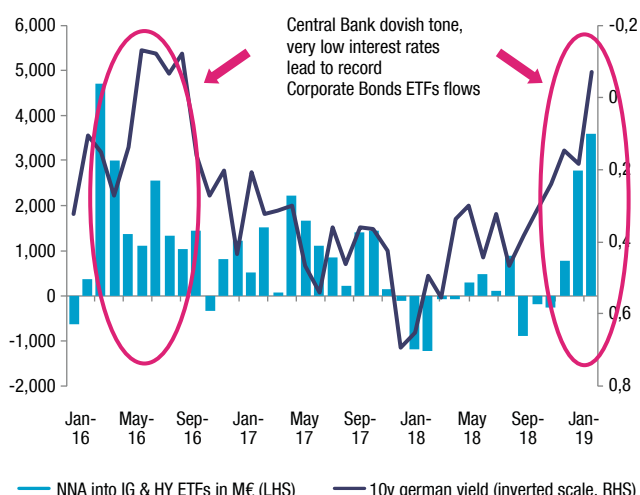
been out of favour between mid-2017 and mid-2018, there has been a real revival of interest in income-generating ETFs. Inflows amounted to EUR1.7bn at the end of March.

Historical data tells us that there is a significant inverse correlation between corporate bonds and dividend-paying ETF flows on one side and 10-year German interest rate flows on the other. Flows into the higher income products tend to peak when interest rates reach record lows. Should the very low yield environment continue, we expect inflows into corporate bonds and income-generating equity ETFs to continue.

Equity income generating ETF flows vs. 10Y german yield



Investment-grade and high yield ETF flows vs. 10Y german yield



Source: Monthly data from 01/01/2016 to 31/03/2019, Bloomberg, Lyxor International Asset Management. The figures relating to past performances refer to past periods and are not a reliable indicator for future results.

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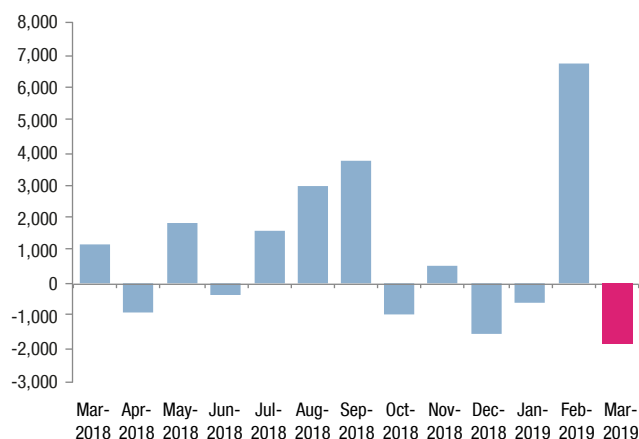
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# Equity flows reverse

⬇️ -€1.7bn

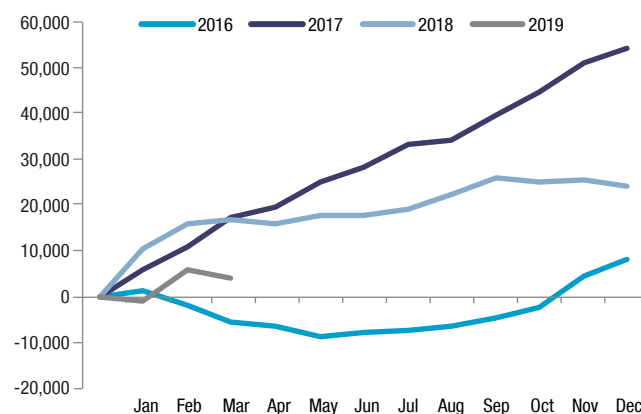
## Negative month for equity flows

Monthly NNA on equity ETFs

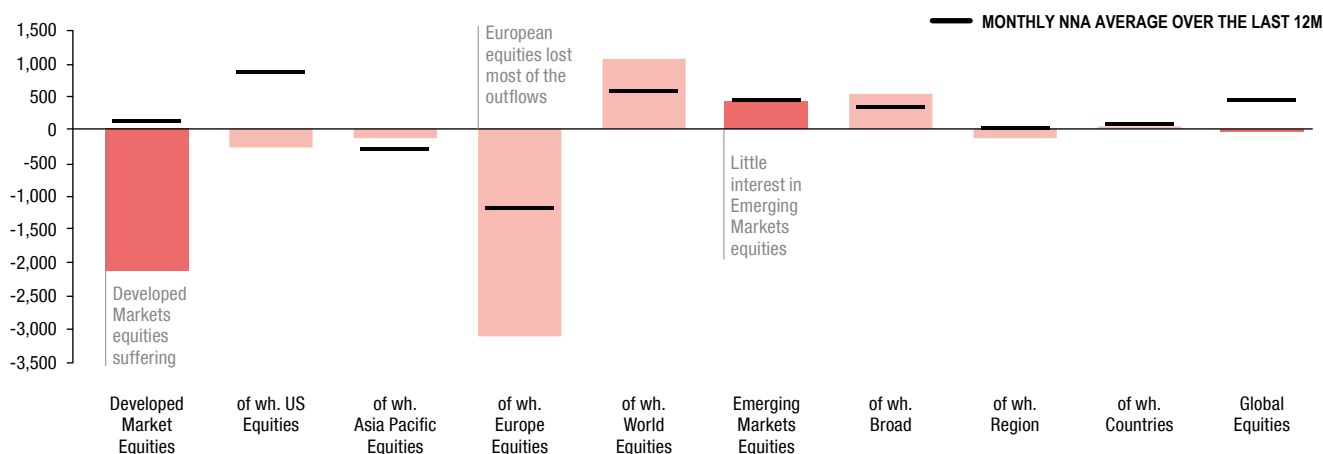


## Weak first quarter for equity ETFs

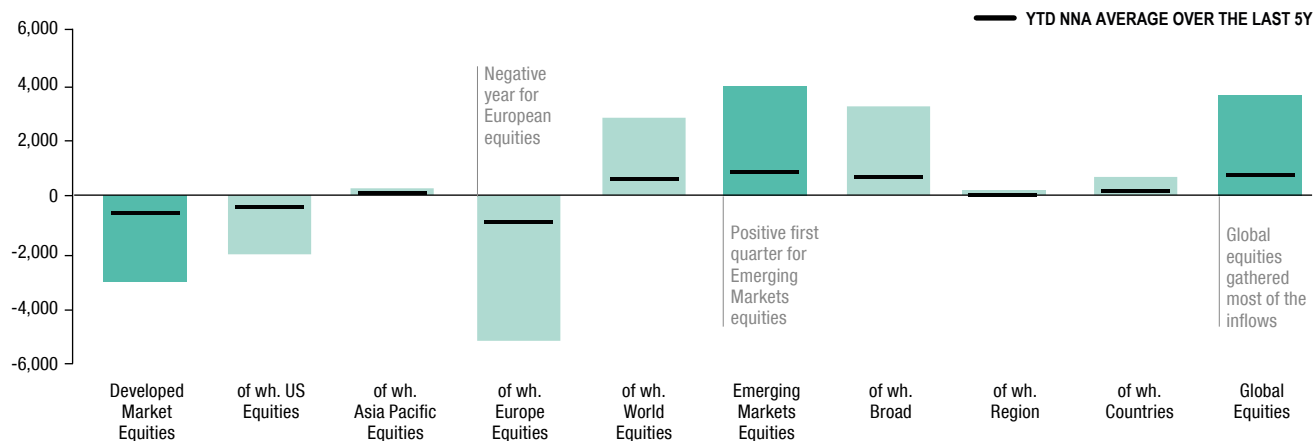
Cumulated monthly NNA on equity ETFs



## Monthly net new assets on equity ETFs in Europe



## YTD net new assets on equity ETFs in Europe



Source: Monthly data from 01/01/2019 to 31/03/2019, Bloomberg, Lyxor International Asset Management.  
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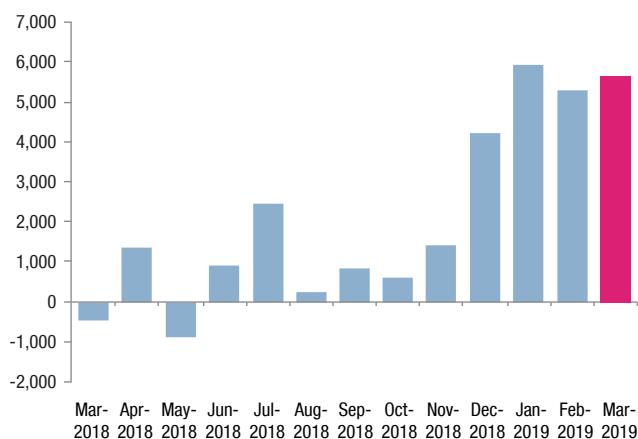
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# Fixed income flows stay strong

↑ €5.8bn

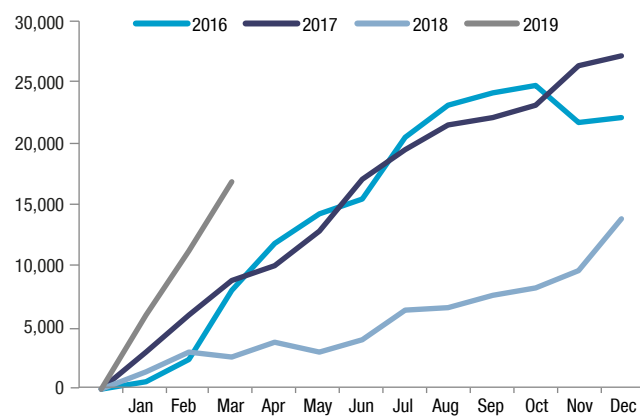
## Another strong month for fixed income flows

Monthly NNA on fixed income ETFs

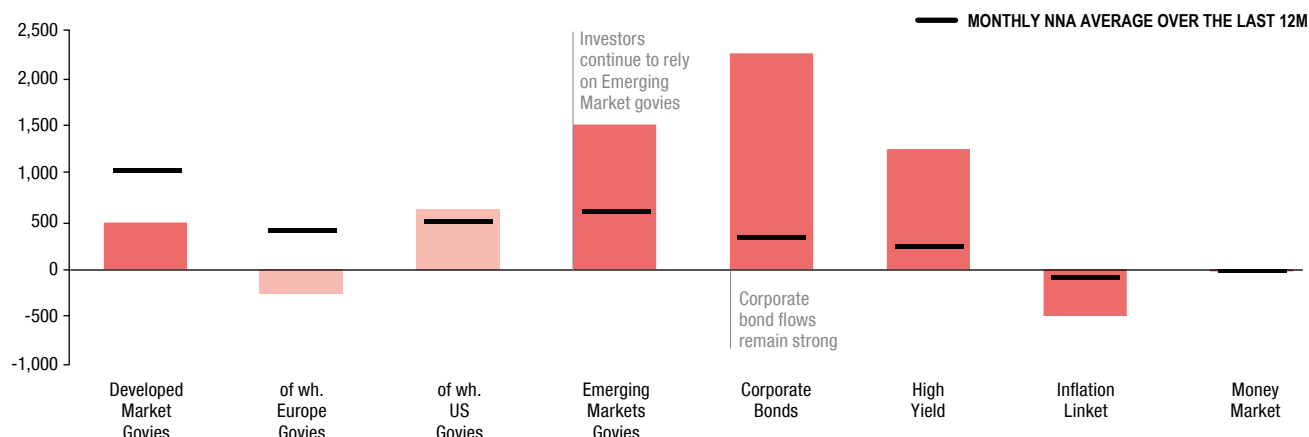


## Record first quarter for fixed income ETFs

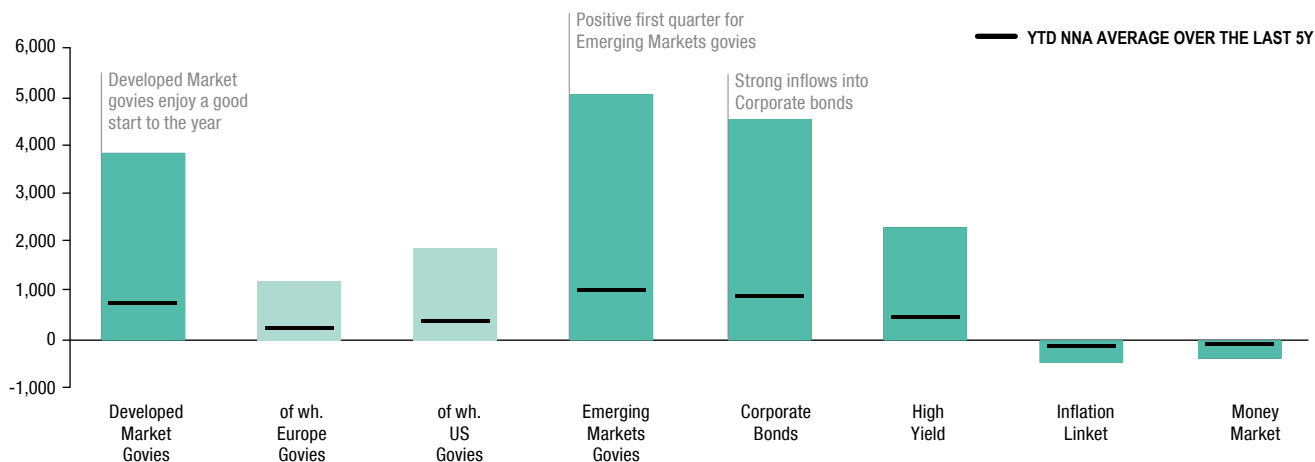
Cumulated monthly NNA on fixed income ETFs



## Monthly net new assets on fixed income ETFs in Europe



## YTD net new assets on fixed income ETFs in Europe



Source: Monthly data from 01/01/2019 to 31/03/2019, Bloomberg, Lyxor International Asset Management. The figures relating to past performances refer to past periods and are not a reliable indicator for future results.

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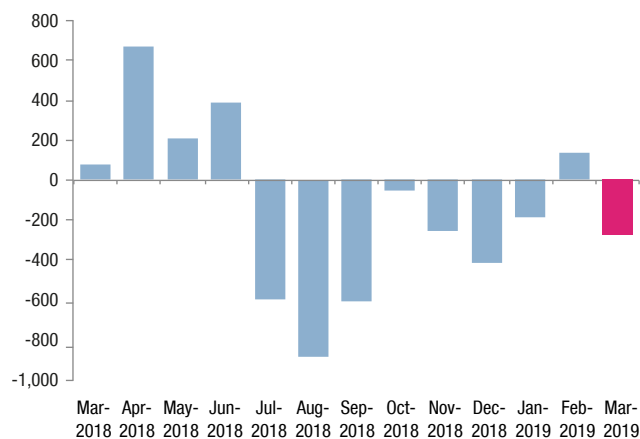
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# Commodities still suffering

↓ -€288m

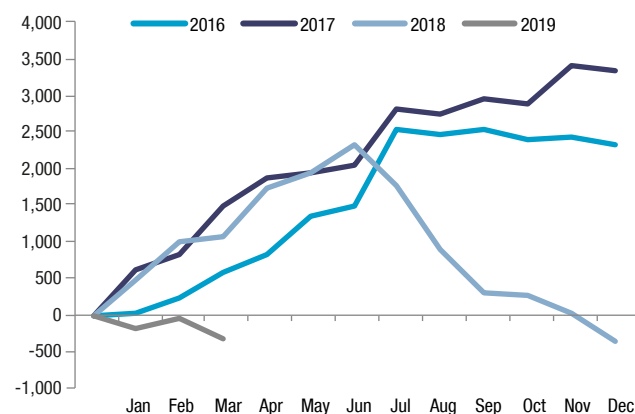
## Commodities suffering again

Monthly NNA on commodity ETFs

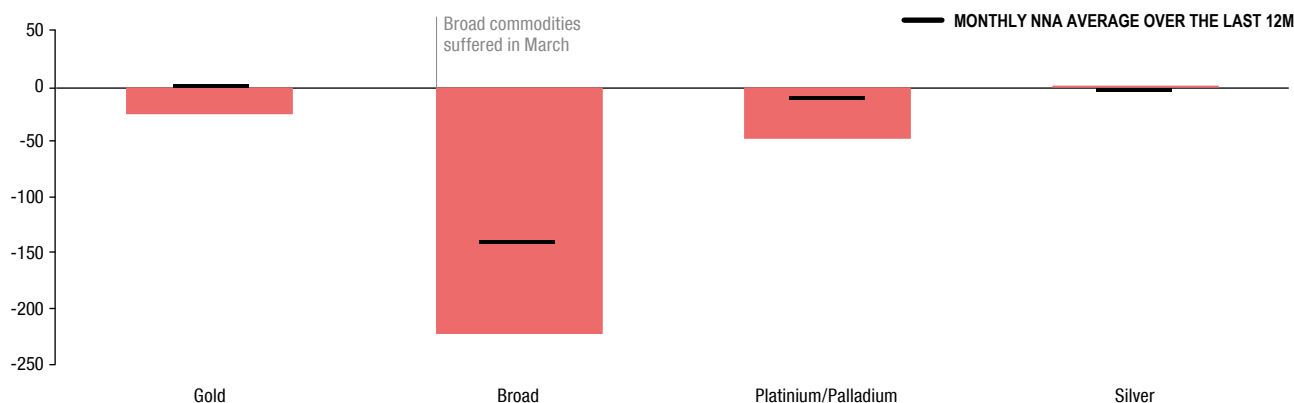


## Negative trend continues for commodity ETFs

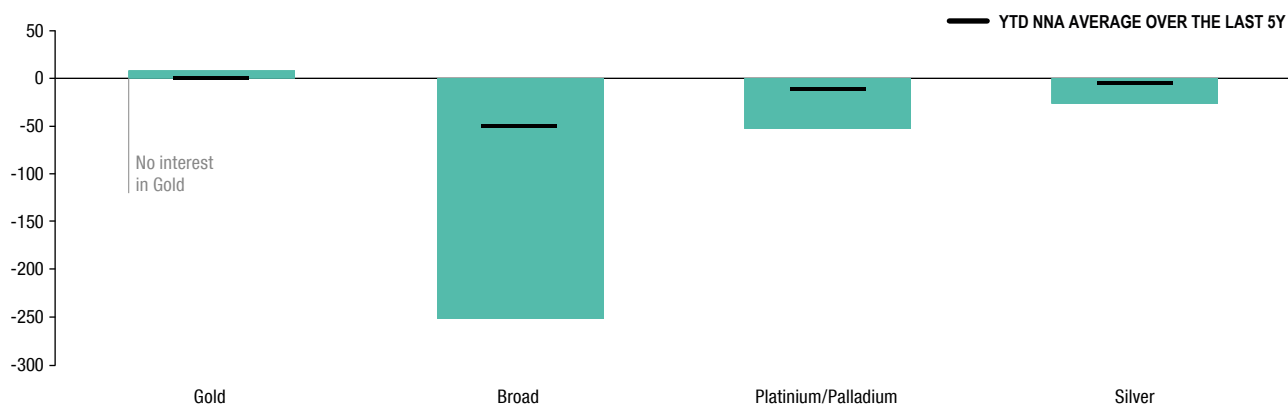
Cumulated monthly NNA on commodity ETFs



## Monthly net new assets on commodity ETFs in Europe



## YTD net new assets on commodity ETFs in Europe



Source: Monthly data from 01/01/2019 to 31/03/2019, Bloomberg, Lyxor International Asset Management. The figures relating to past performances refer to past periods and are not a reliable indicator for future results.

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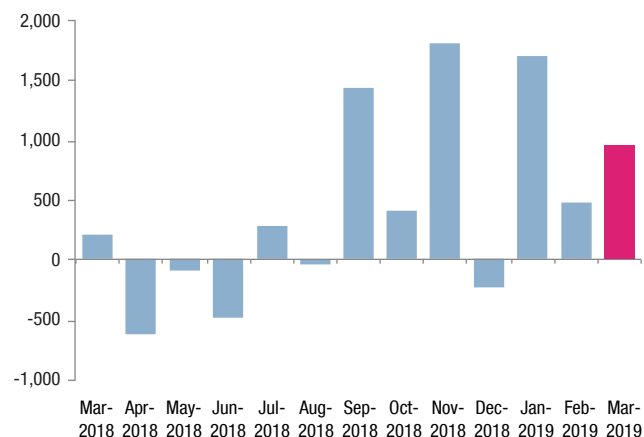
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# Smart beta inflows doubled

€1.1bn

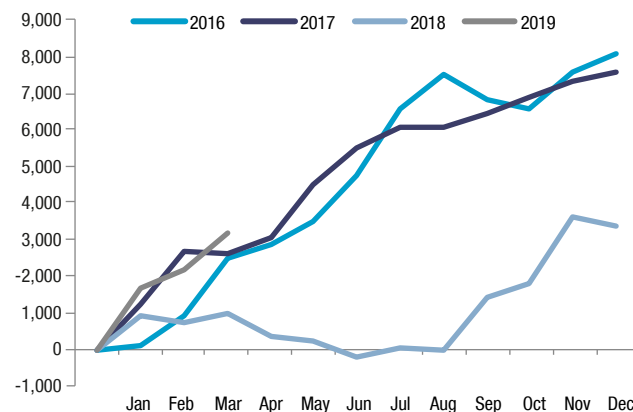
## Flows into smart beta doubled

Monthly NNA on smart beta ETFs

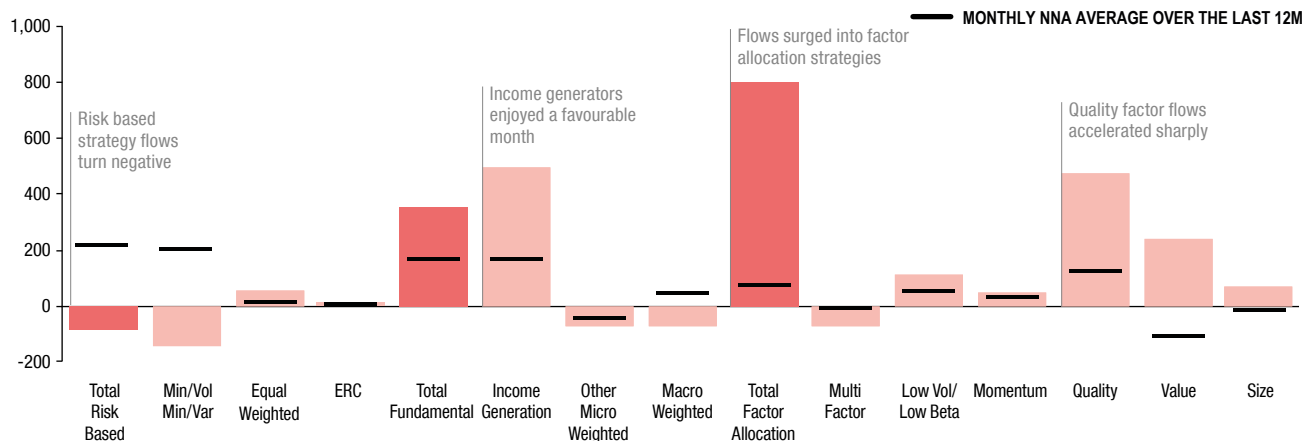


## Strong start to a year for smart beta ETFs

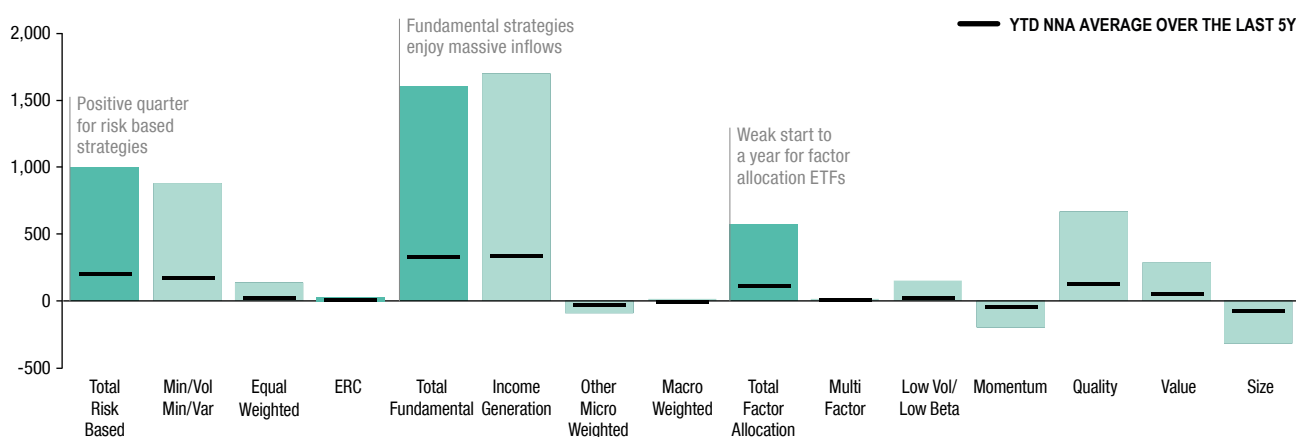
Cumulated monthly NNA on smart beta ETFs



## Monthly net new assets on smart beta ETFs in Europe



## YTD net new assets on smart beta ETFs in Europe



Source: Monthly data from 01/01/2019 to 31/03/2019, Bloomberg, Lyxor International Asset Management. The figures relating to past performances refer to past periods and are not a reliable indicator for future results.

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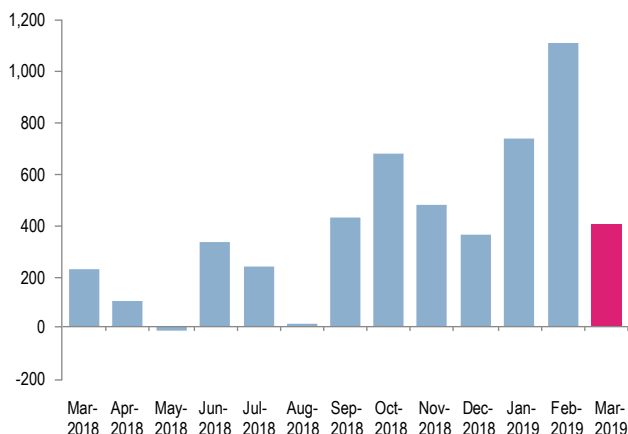


# Flows into ESG still positive

⬆️ €406m

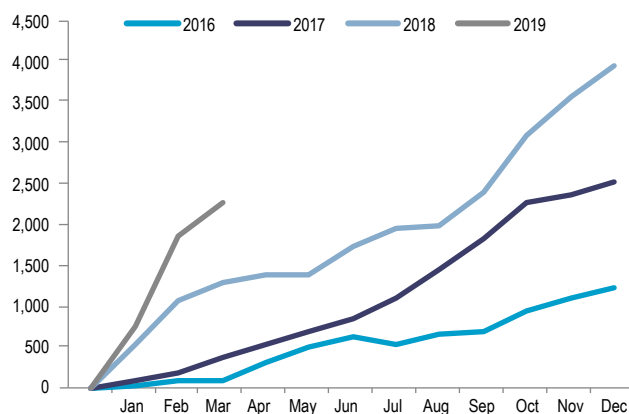
## Flows into ESG still positive

Monthly NNA on ESG ETFs

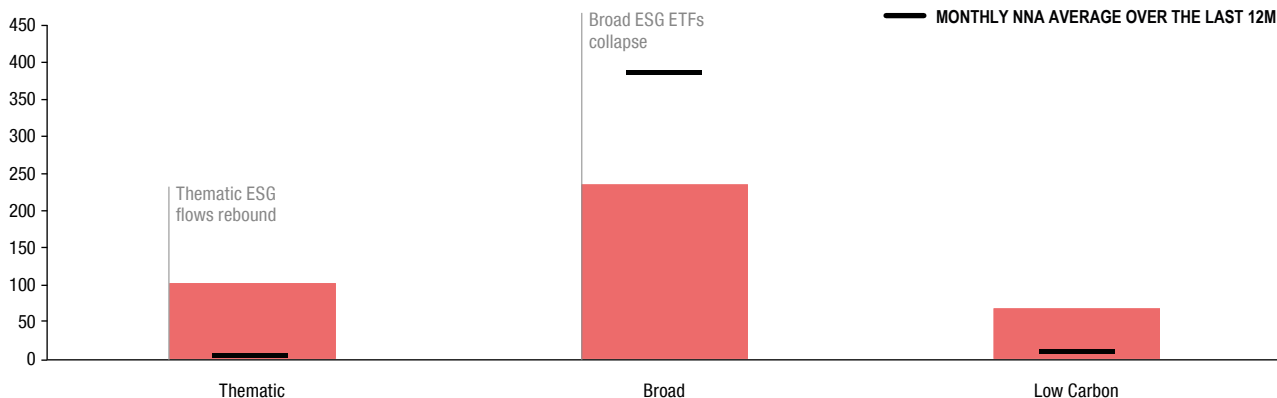


## Record first quarter for ESG ETFs

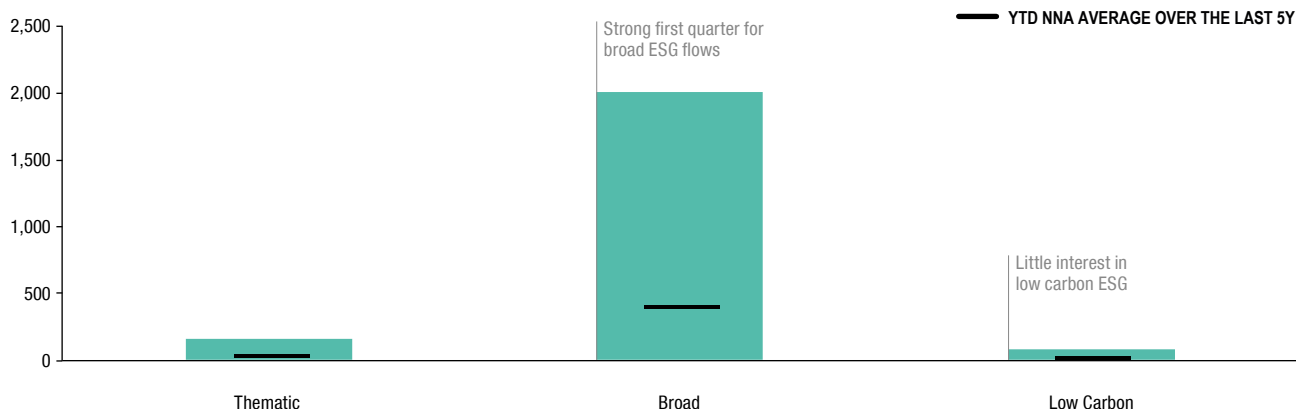
Cumulated monthly NNA on ESG ETFs



## Monthly net inflows on ESG ETFs in Europe



## YTD net inflows on ESG ETFs in Europe



Source: Monthly data from 01/01/2019 to 31/03/2019, Bloomberg, Lyxor International Asset Management. The figures relating to past performances refer to past periods and are not a reliable indicator for future results.

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Alpha/Beta Allocator Q3 2018

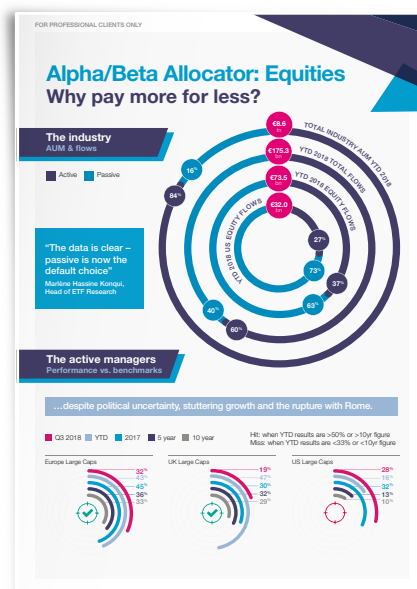
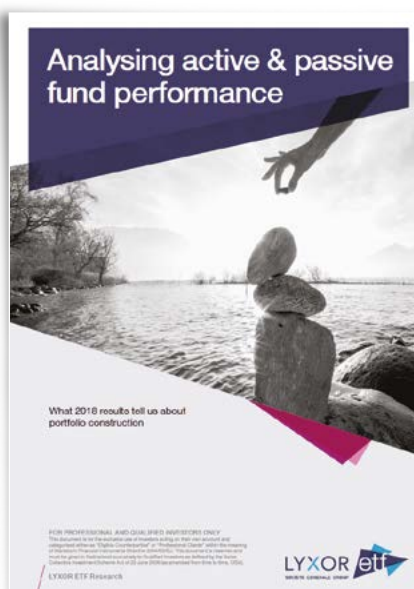
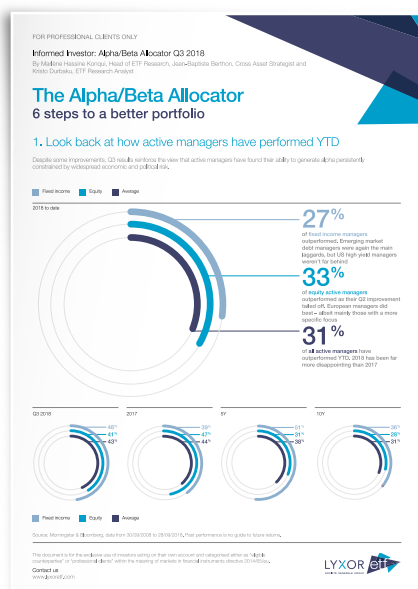
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### Replication risk

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