

Informed Investor: Money Monitor

A look back at European ETF market flows last month

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August 2019
Lyxor ETF Research



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Informed Investor: Money Monitor August 2019

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

An eventful summer for European ETF flows

In August, net new assets in the European ETF market collapsed to -€8.5bn* from the €15.2bn* we saw in July. Equity ETFs suffered their worst month ever (-€12.7bn).

Meanwhile, flows into fixed income (€2.2bn), smart beta (€504m) and commodities ETFs (€126m) slowed but stayed positive.

With €1.4bn of inflows, ESG ETFs continued their rise in August and brought their total for the year to €8.5bn.

What happened last month?

- ▶ ETF flows collapsed
- ▶ Worst month ever for equities

 -€8.5bn



Worst month ever for **equities**

-€12.7bn



Fixed income flows slow

€2.2bn



Weak month for **commodities**

€126m



Significant inflows into **smart beta**

€504m



Flows into **ESG** still strong

€1.4bn

How does the YTD picture look?

- ▶ European ETFs flows slow
- ▶ Fixed income, smart beta and ESG lead the way

 €41.7bn



Equity ETFs are this year's laggards

-€8.3bn



Still the best start to a year for **fixed income**

€35.1bn



Commodities turned positive

€229m



Strong year so far for **smart beta**

€5.0bn



Record YTD flows for **ESG**

€8.5bn

Source: Monthly data in EURM from 01/01/2019 to 31/08/2019 Bloomberg, Lyxor International Asset Management.

Note: This report is based on the data available on 31/08/2019.

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

Flight to safety

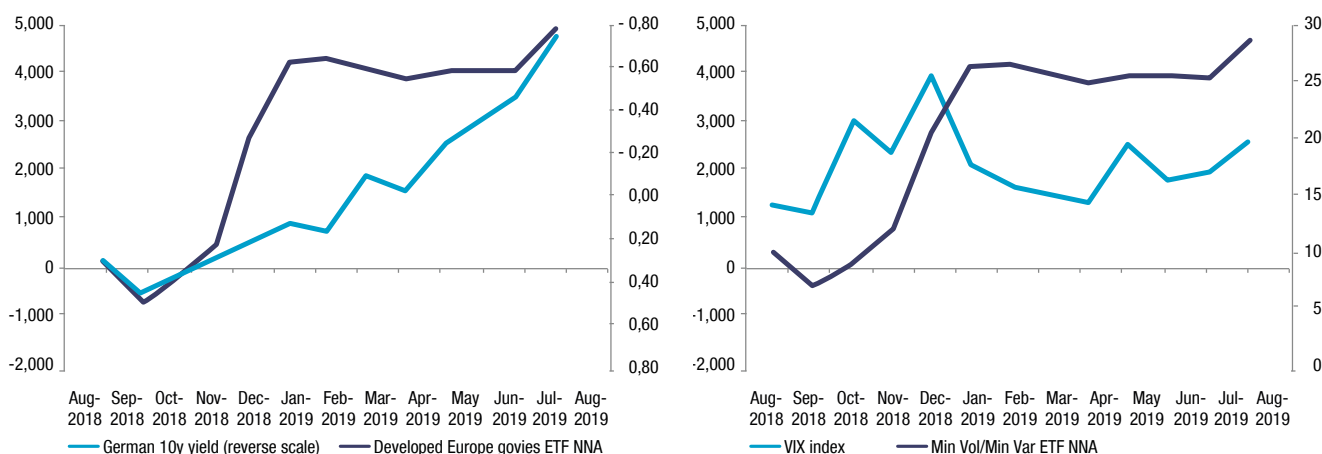
Last month's ETF flows reflected investors' worries over the overall economic and political environment. There's little doubt escalating global trade tensions and the slower global growth outlook have been driving money into defensive investments.

In August, equity ETFs recorded their worst month ever with €12.7bn* of outflows. All equity subcategories suffered. In contrast, all safe havens were in demand. Developed market government bonds have gathered about €9.2bn YTD – a third of which has been in the last two months. Europe government bonds have proved particularly popular, with €803m of inflows in

August. Other traditional safe havens have also been in demand, and we've seen strong inflows into gold ETFs (€226m in August vs. the monthly average of the last 12 months of €19m) and the best start to a year ever for income generating ETFs (€235m in August and €2.8bn YTD).

On top of all this, all smart beta inflows have been gathered in min vol/min var strategies (€590m in August and €3.2bn YTD), highlighting investors' intentions to protect themselves against global uncertainty. The graph below shows the correlation between the volatility (VIX) and the min vol/min var ETF net flows.

Developed Europe govies ETF cumulated flows vs. German 10y yield Min vol/min var ETF cumulated flows vs. VIX index



*Restated for an exceptional redemption of €3.7bn in August from a MSCI ACWI ETF, equity flows amount to -€9.0bn in August. Source: Lyxor ETF, Bloomberg data from 31/08/2018 to 31/08/2019.

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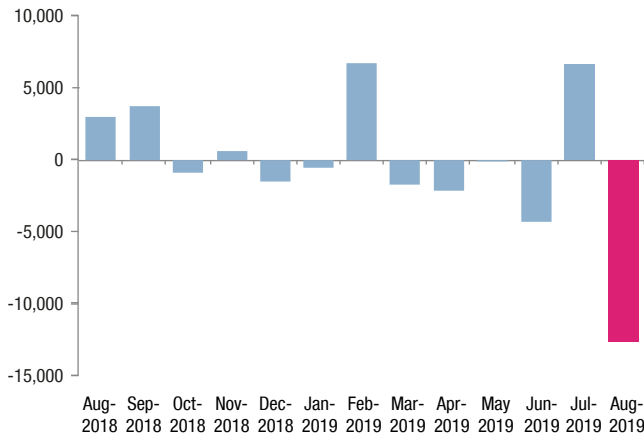
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Huge outflows from equities

⬇️ -€12.7bn

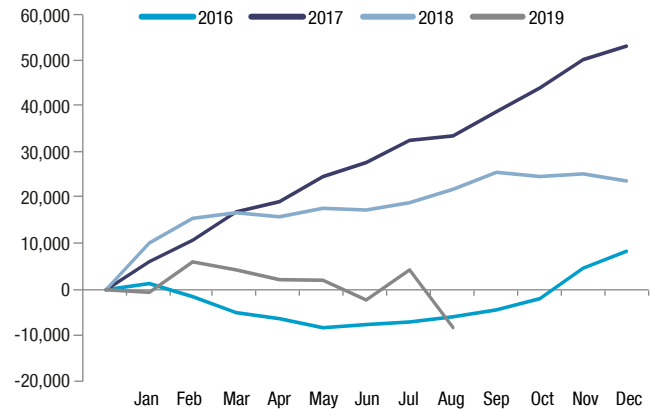
Worst month ever for equity ETFs

Monthly NNA on equity ETFs

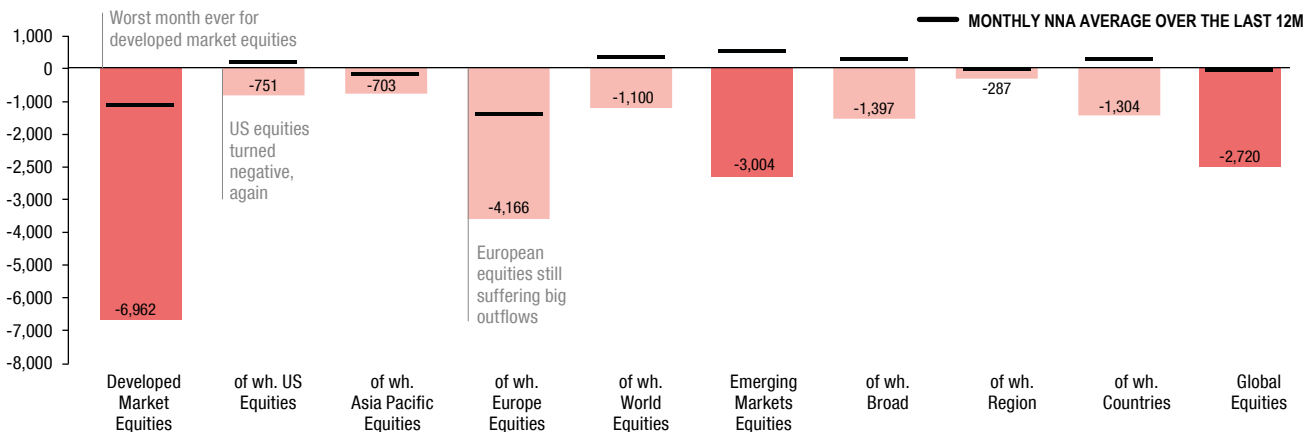


Equity ETFs start H2 in negative territory

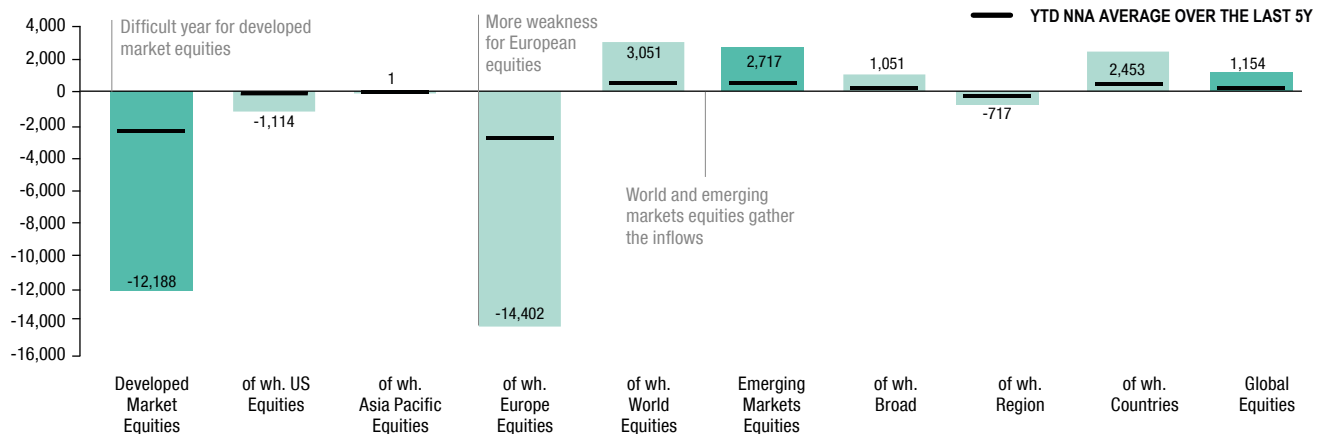
Cumulated monthly NNA on equity ETFs



Monthly net inflows on Equity ETFs in Europe



YTD net inflows on Equity ETFs in Europe



Source: Monthly data from 01/01/2014 to 31/08/2019, Bloomberg, Lyxor International Asset Management.

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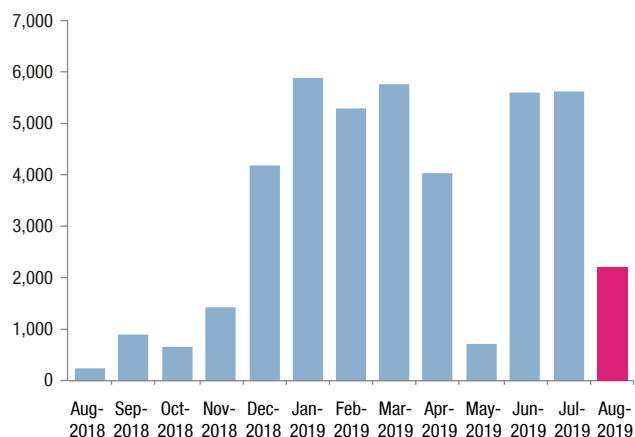
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Fixed income flows slow

↓ €2.2bn

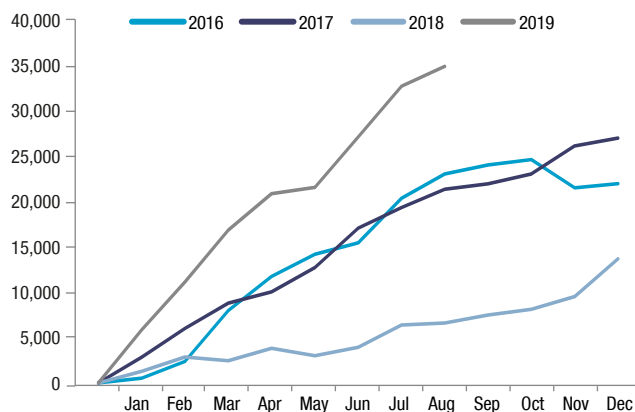
Fixed income ETFs flows slowed

Monthly NNA on fixed income ETFs

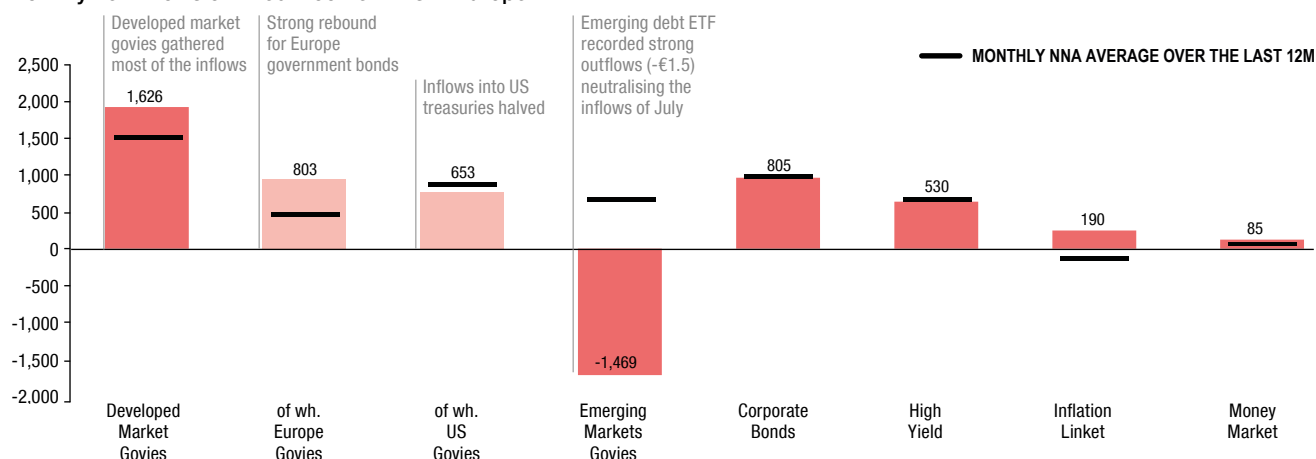


Best year so far for fixed income ETFs

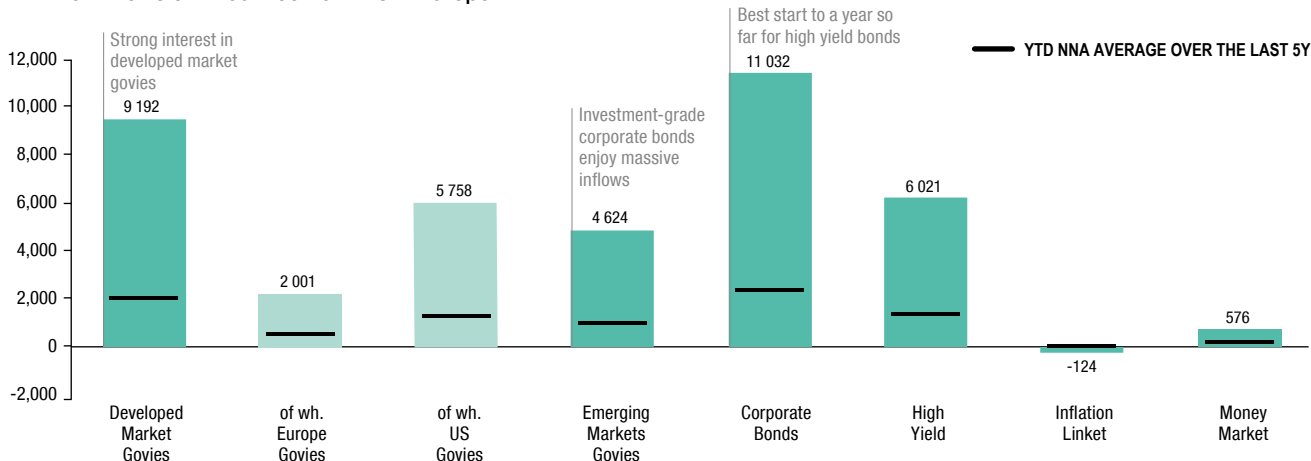
Cumulated monthly NNA on fixed income ETFs



Monthly net inflows on fixed income ETFs in Europe



YTD net inflows on fixed income ETFs in Europe



Source: Monthly data from 01/01/2014 to 31/08/2019, Bloomberg, Lyxor International Asset Management.

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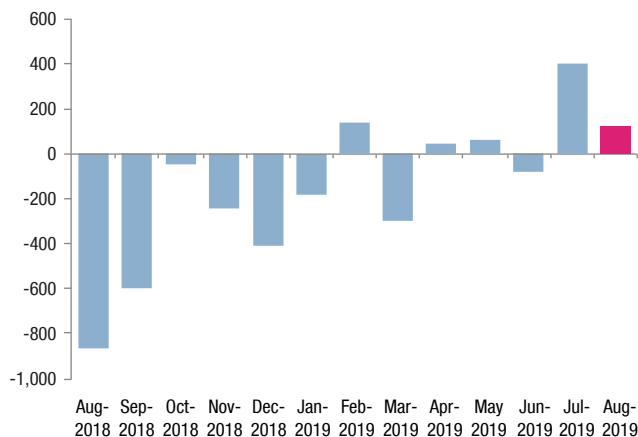
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Weak month for commodities

↓ €126m

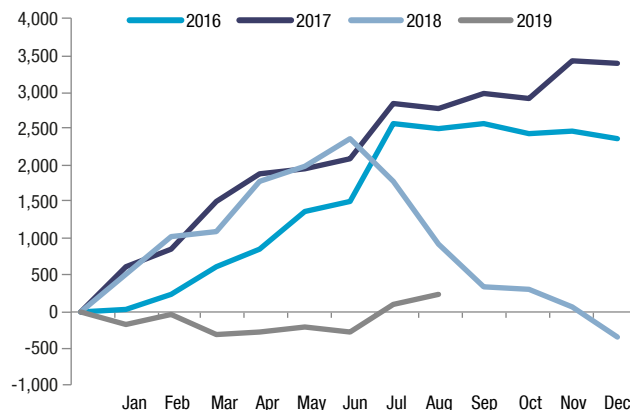
Weak month for commodity ETFs

Monthly NNA on commodity ETFs

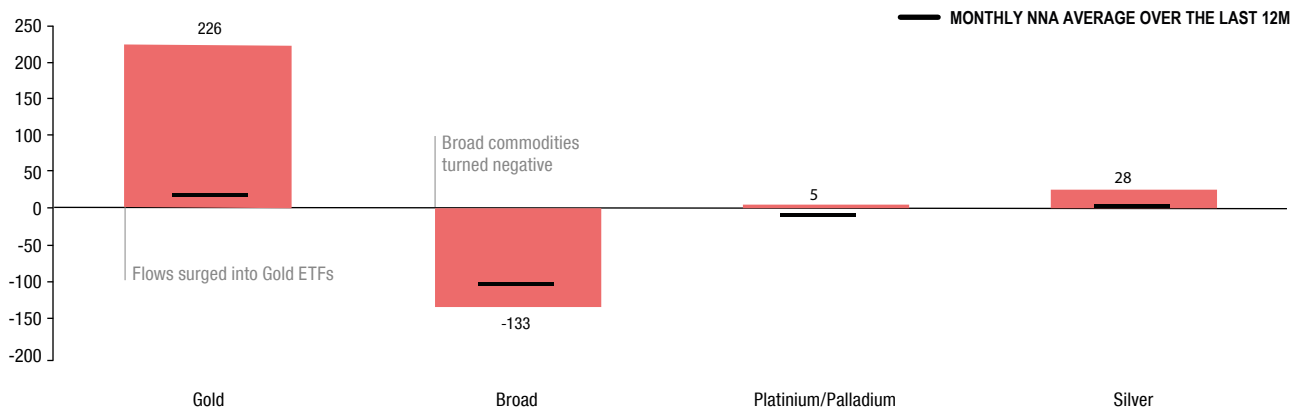


Commodity ETFs YTD flows turned positive

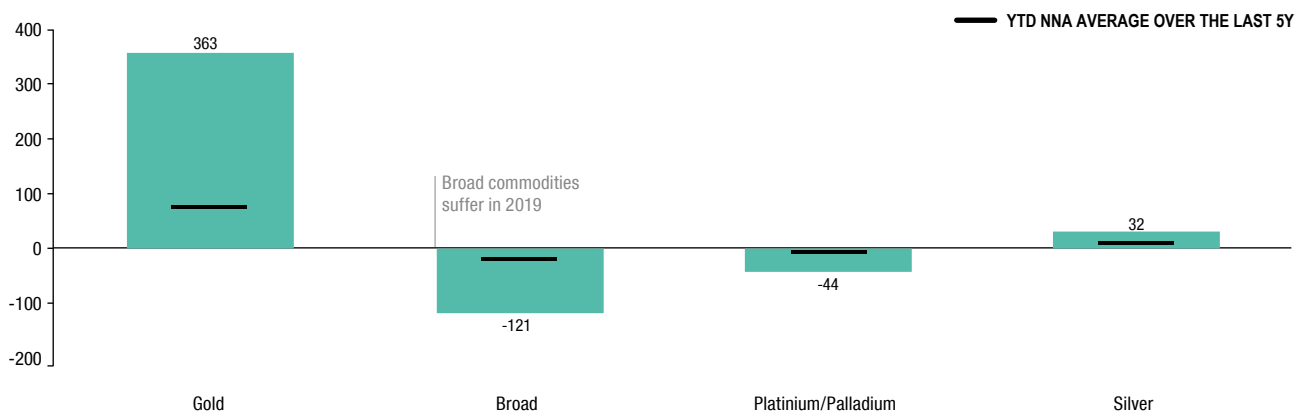
Cumulated monthly NNA on commodity ETFs



Monthly net inflows on commodity ETFs in Europe



YTD net inflows on commodity ETFs in Europe



Source: Monthly data from 01/01/2014 to 31/08/2019, Bloomberg, Lyxor International Asset Management.

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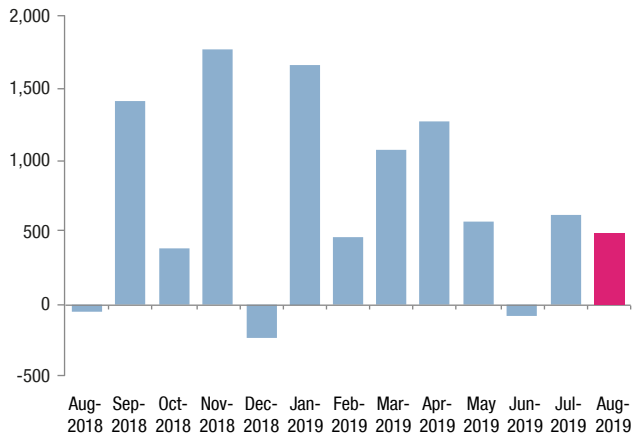
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Significant inflows into smart beta

↓ €504m

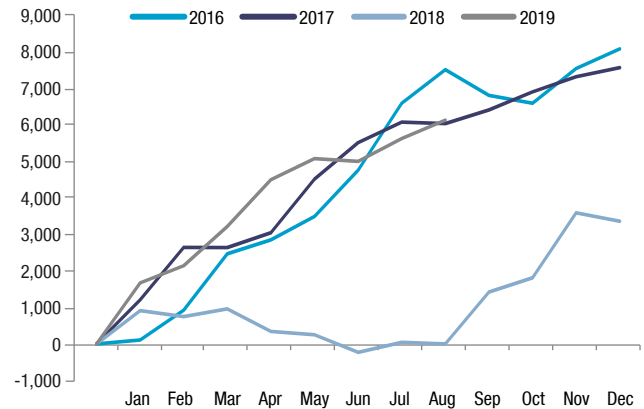
Significant inflows into smart beta ETFs

Monthly NNA on smart beta ETFs

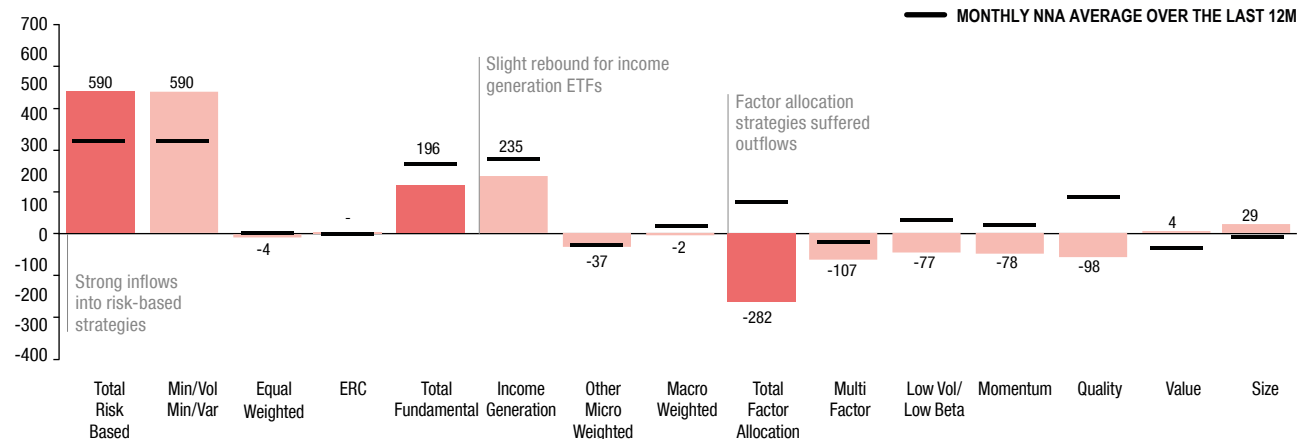


Strong year so far for smart beta ETFs

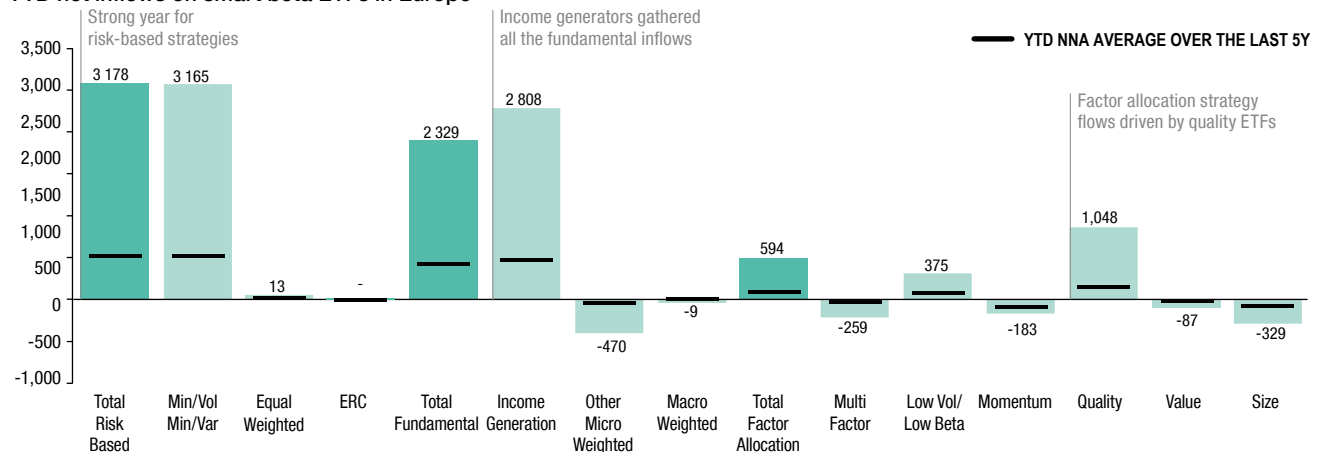
Cumulated monthly NNA on smart beta ETFs



Monthly net inflows on smart beta ETFs in Europe



YTD net inflows on smart beta ETFs in Europe



Source: Monthly data from 01/01/2014 to 31/08/2019, Bloomberg, Lyxor International Asset Management.

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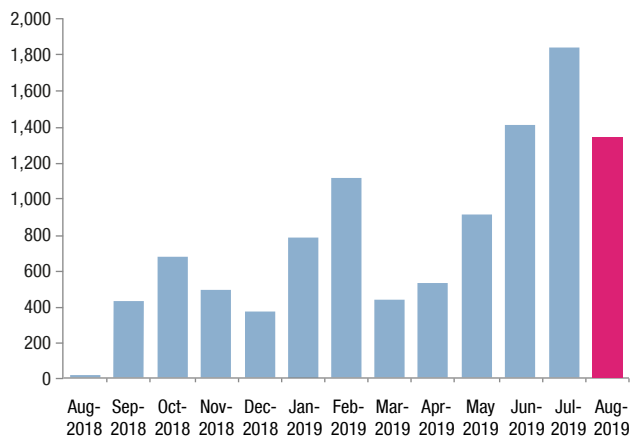
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Flows into ESG ETFs still strong

⬇️ €1.4bn

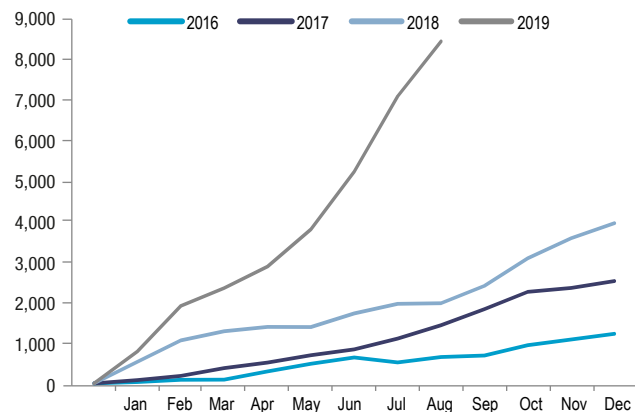
Flows into ESG ETFs still strong

Monthly NNA on ESG ETFs

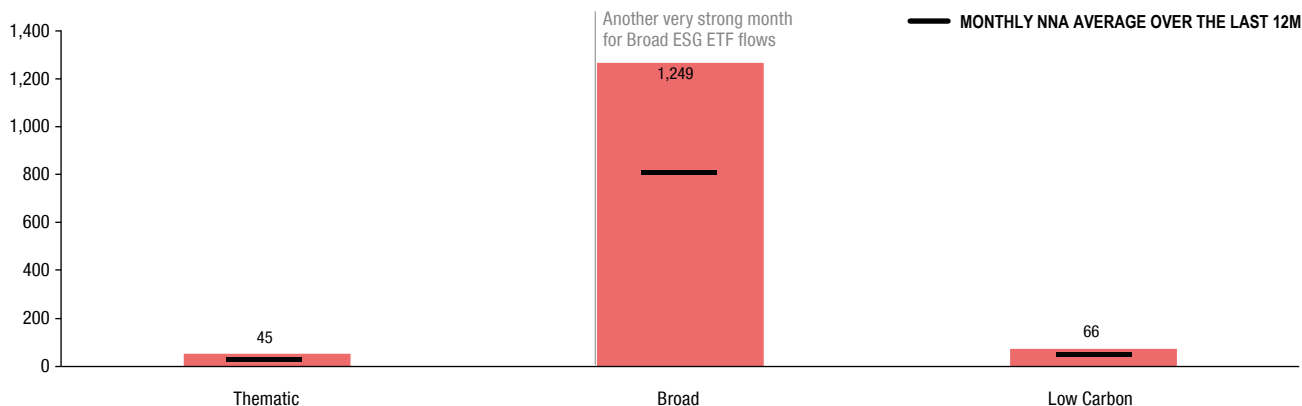


Best start to a year ever for ESG ETFs

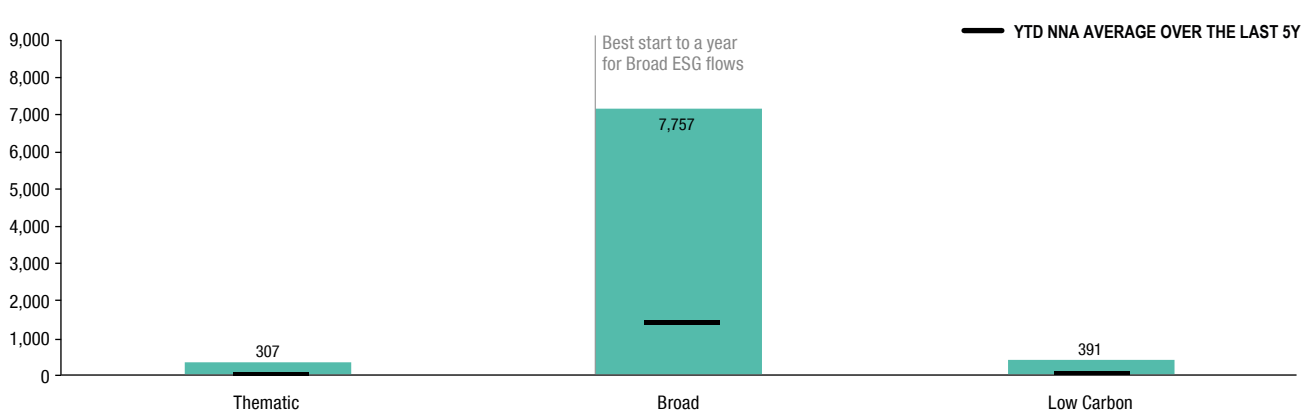
Cumulated monthly NNA on ESG ETFs



Monthly net inflows on ESG ETFs in Europe



YTD net inflows on ESG ETFs in Europe



Source: Monthly data from 01/01/2014 to 31/08/2019, Bloomberg, Lyxor International Asset Management.

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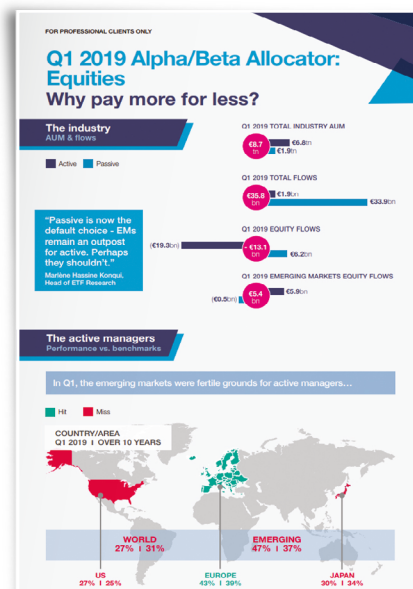
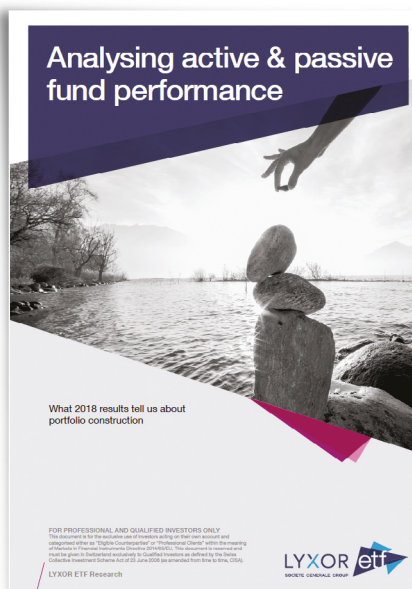
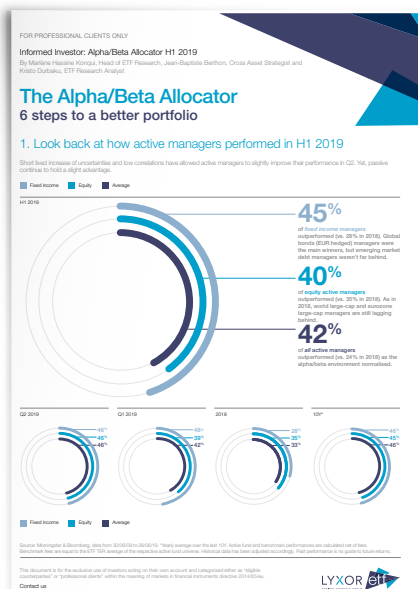
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