

GLOBAL ETP FLOWS: MAY 2022



- **Highs and lows:** fixed income flows rose 1.9x vs. April, reaching \$35.3B in May – the highest level since April 2021. Commodities saw the first outflow month this year, with -\$5.3B out.
- **Back on course?** Monthly allocations to global equity ETPs recovered in May, gathering \$54.3B, up from April's \$6.4B. Equity ETPs led inflows, but buying remains well below the Q1 monthly average.
- **Defensive measures:** sector ETPs registered the first outflow month since August 2019 (-\$8.9B), as sentiment towards more defensive precision equity exposures picked up.

A rush to rates

Flows into rates ETPs set a monthly record in May (\$26B), building on the month-on-month momentum we've seen since February and eclipsing the previous record of \$18.5B set in December 2018. US exposures gathered 96% of the rates inflows: while interest has picked up across the curve, short duration ETPs continued to dominate (\$9.2B), while flows into blended maturities surged to \$7B (vs. \$2.5B in April).

High yield (HY) credit (\$3.8B) finally caught a bid after four consecutive outflow months. The spotlight remained on US HY, with May's \$4.1B of inflows fully reversing April's outflows of -\$2.9B. Investment grade (IG) ETP demand remained robust, jumping to \$4B (vs. \$1.3B in April), led by US IG (\$3.8B), with additional buying in eurozone IG (\$0.4B), partly reversing April's outflows (-\$0.7B). Conviction remained downbeat for emerging market debt (-\$4.2B), which has seen four consecutive outflow months; May saw the largest outflows for the exposure since March 2020 (-\$8.2B).

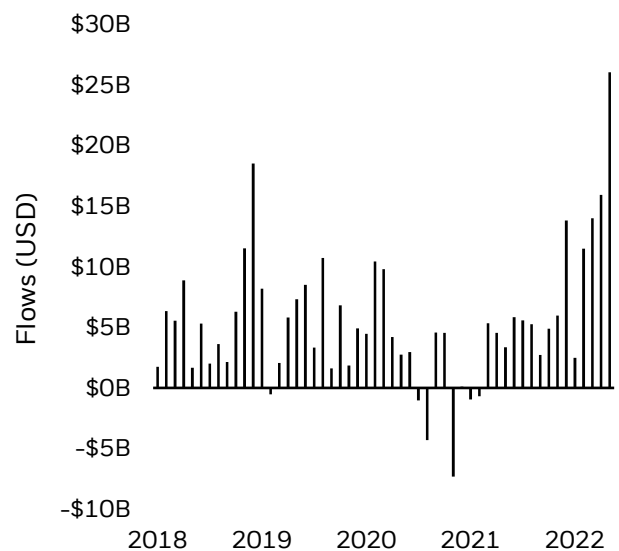
Back to US

After a muted month for broad equity flows in April, investors added \$54.3B to equity ETPs in May. While significantly higher than April's \$6.4B of inflows, the May figure represents the next lowest month for equity inflows since July 2021.

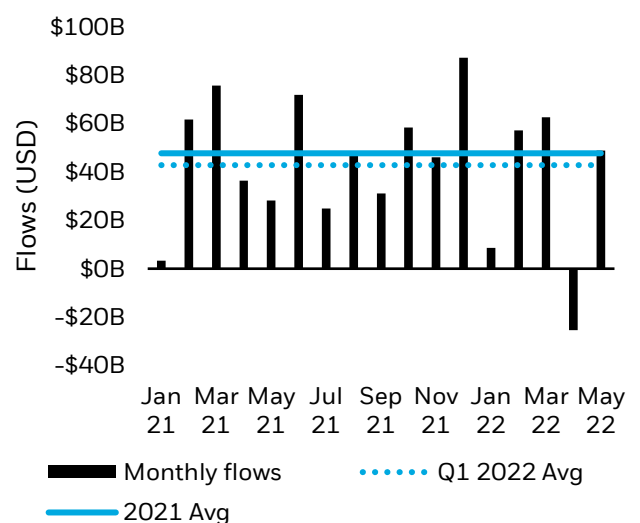
At a regional level, US exposures led the way in May, making up 90% of net equity buying.

As we highlighted last month, April outflows from US equity ETPs appear to have largely stemmed from a change in investment vehicle, rather than an asset allocation change. May's inflows suggest that 'normal' buying has resumed in US equity ETPs: the \$48.8B allocated in May was in line with average monthly allocations in the first quarter of the year.

Monthly flows into rates ETPs, January 2018-May 2022



Monthly flows into US equity ETPs and monthly average allocations, January 2021-May 2022



All figures in US Dollars unless stated otherwise. Source: Unless stated otherwise all data is sourced from BlackRock Global Business Intelligence and EPFR at 31 May 2022 covering flows in the period 1 May 2022- 31 May 2022. **Past flows into global ETPs are not a guide to current or future flows and should not be the sole factor of consideration when selecting a product.** This material is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation to, offer or solicitation to buy or sell any financial instrument or product or to adopt any investment strategy. Investment in the products mentioned in this document may not be suitable for all investors. BlackRock has not considered the suitability of any product against your individual needs and risk tolerance.

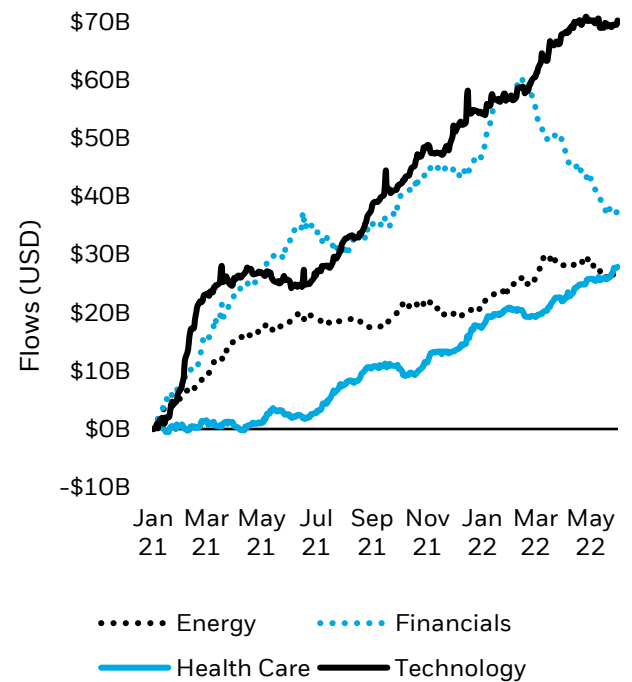
Turning defensive

Defensive sentiment continued to drive sector and factor allocations in May. Sector ETPs registered their first outflow month since August 2019 (-\$8.9B), ending an impressive 32-month streak of consecutive inflows. Selling was once again led by cyclical sectors, such as financials (-\$6.3B) and energy (-\$1.6B). On a brighter note, defensive sectors registered inflows: healthcare, for example, saw \$2.1B of buying, albeit down from \$3.7B in April.

May's defensive theme also played out in factor flows, with low volatility ETPs gaining \$3.6B – the fourth-largest monthly allocation on record, and the largest since August 2019 (\$3.9B). Quality was also in favour, with investors adding \$1.8B in May on top of April's inflows of \$1.9B.

Commodity ETPs registered \$5.3B of selling, making May the largest outflow month since March 2021, when outflows totalled -\$6.3B. Just under 60% of commodity outflows came from gold ETPs (-\$3.1B), but selling was also seen in broad market commodity exposures in May (-\$1.1B) – representing the first outflow month since September 2021 (-\$0.4B).

Cumulative flows into select sector ETPs, January 2021–May 2022



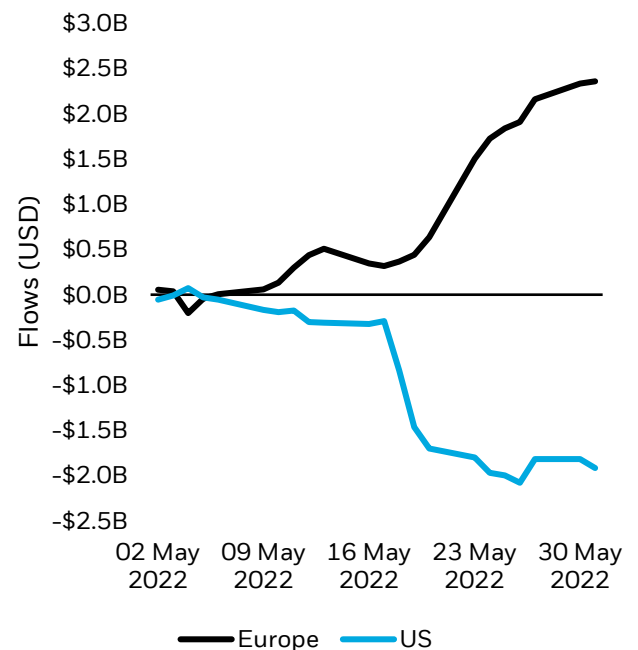
US and EM equities drive sustainable slowdown

The downward trend in sustainable ETP flows continued in May, with net inflows of \$569m across US- and European-listed products, down from \$4.7B in April. These lower levels were driven by -\$2B of outflows from US-listed exposures, as well as a slowing of inflows into European ETPs (\$2.4B), although it's worth noting that the degree of sustainable adoption varies across regions.

In Europe, sustainable equity inflows totalled \$1B, led by exclusionary exposures (\$800m), followed by optimised/tilt strategies (\$760m). Contrary to longstanding trends, European equity best-in-class (BiC) ETPs saw outflows (-\$1.8B), mainly driven by US exposures. European sustainable fixed income registered strong inflows (\$1.3B), led by BiC exposures, including government bond ETPs (\$362m). Sustainable IG ETPs outpaced their non-sustainable peers, with \$635m added to EUR-denominated BiC exposures.

In the US, -\$1.7B of the -\$2B of outflows from sustainable equity ETPs came from selling of ESG-optimised exposures. BiC strategies also saw outflows (-\$217m). In US fixed income, optimised strategies registered inflows of \$53m.

Cumulative flows into sustainable ETPs, split by listing region, May 2022



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