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ETF flows bounce back

European ETF market flows rebounded slightly in May. Net New Assets (NNA) rose to €1.1bn from the €668m we saw in April. Sentiment reversed again, with equity ETFs attracting most of the inflows (€1.5bn) and fixed income ETFs suffering their worst month since December 2016 (-€765m).

What happened last month?

- ▶ ETF flows increased to €1.1bn from €668m
- ▶ They remain strong, but behind last year's record levels

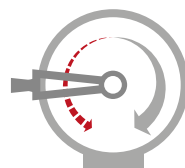


€1.1bn



Significant rebound for
Equities

€1.5bn



Fixed income
flows turned negative

-€765m



Weaker month for
Commodities

€216m



Smart Beta
remains unpopular

-€19m

Source: Monthly data in EURM from 01/05/2018 to 31/05/2018, Bloomberg, Lyxor. The figures relating to past performances refer to past periods and are not a reliable indicator for future results.

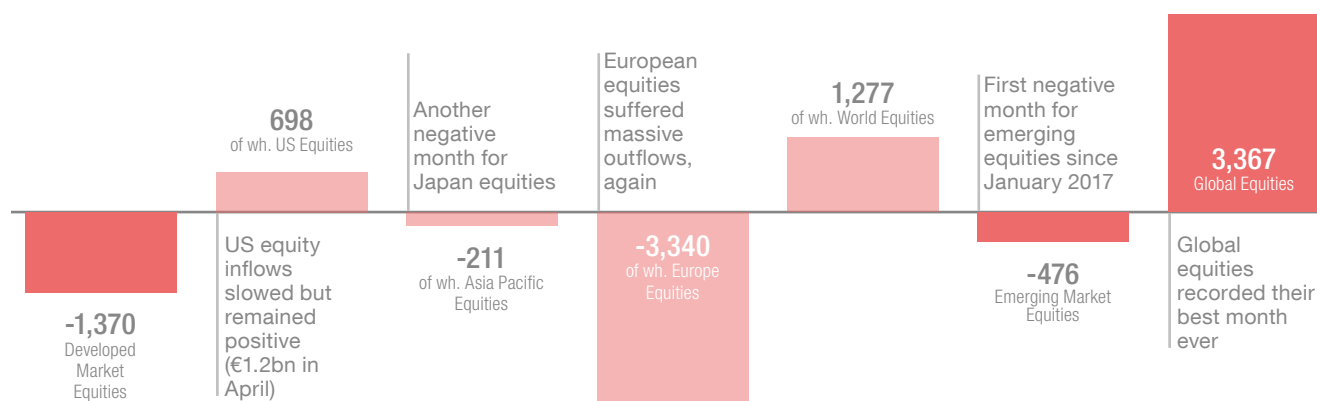
Note: This report is based on the data available on 01/06/2018. Asset and flow data may be slightly adjusted as additional data becomes available.

What were the major trends?

Significant rebound for equities



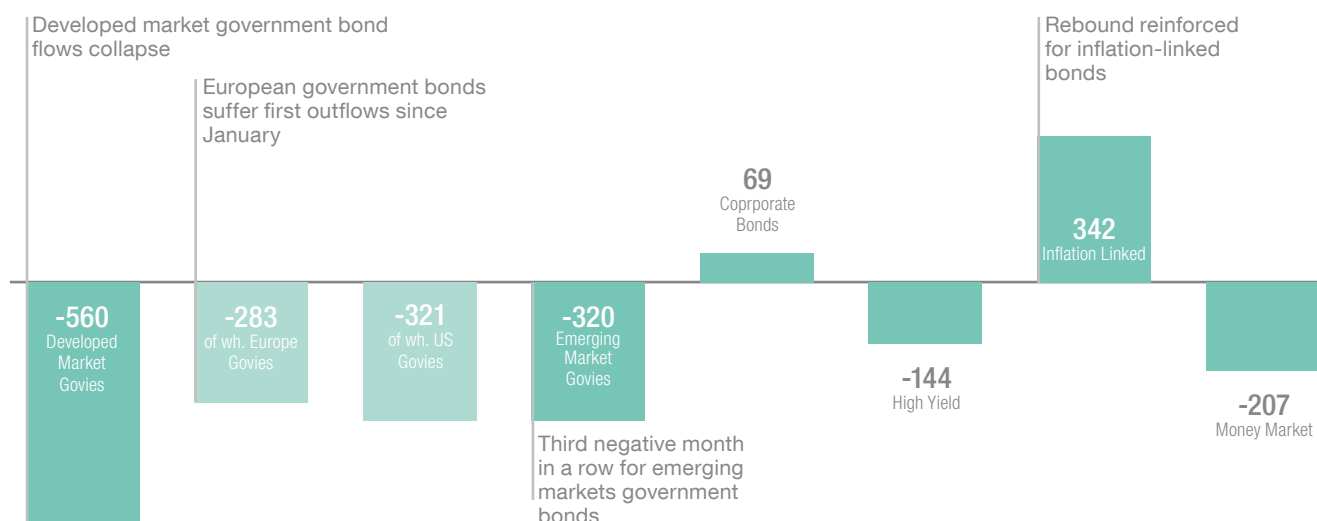
Monthly Net inflows on European Equity ETFs



Fixed income flows turn negative



Monthly Net inflows on European Fixed Income ETFs



Source: Monthly data in EURM from 01/05/2018 to 31/05/2018, Bloomberg, Lyxor. The figures relating to past performances refer to past periods and are not a reliable indicator for future results.

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Special focus

Worst month in 2 years for Eurozone ETFs

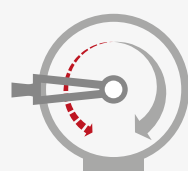
Outflows from European equity ETFs continue to accelerate and now amount to €6bn overall after €3.3bn left the market in May to add to the €2.9bn we saw flow out in April.

The three key drivers of these outflows were:

- ▶ The continuing deceleration of eurozone PMI results - Since the end of March, the PMI is down from 55.2 to 54.1 suggesting European economic activity is peaking
- ▶ The Italian political saga - Eurosceptic forces remain alive and well, hitting

investors' hopes for meaningful EMU reforms

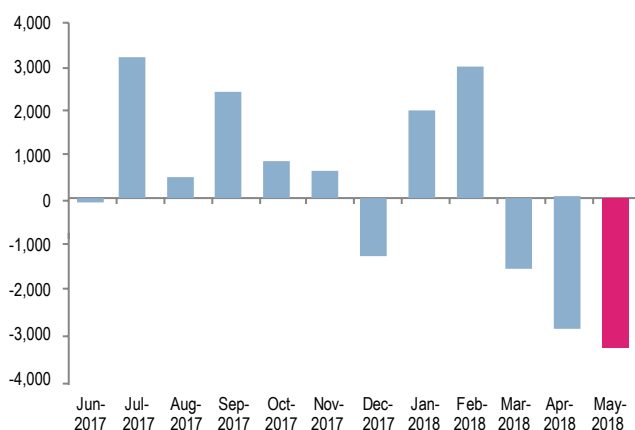
- ▶ Trade concerns revive - Global trade volumes are weakening just when the US is set to implement tariffs against most of its trading partners



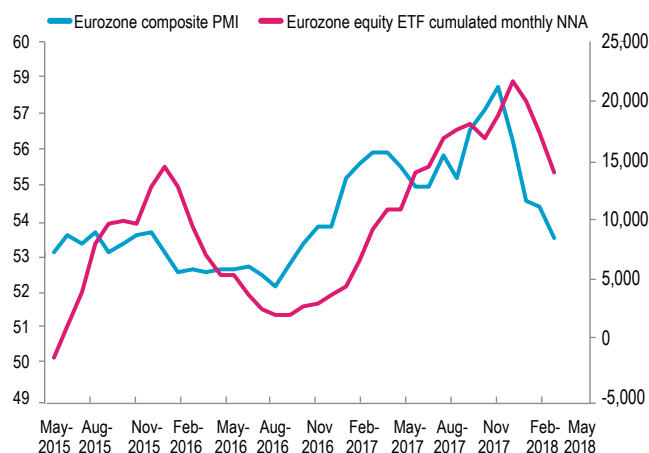
Large outflows again

-€3.3bn

Monthly NNA on Eurozone equity ETFs



Eurozone ETFs cumulated NNA vs. Eurozone economic activity



Source: Monthly data from 01/05/2015 to 01/06/2018 (Bloomberg, Lyxor).
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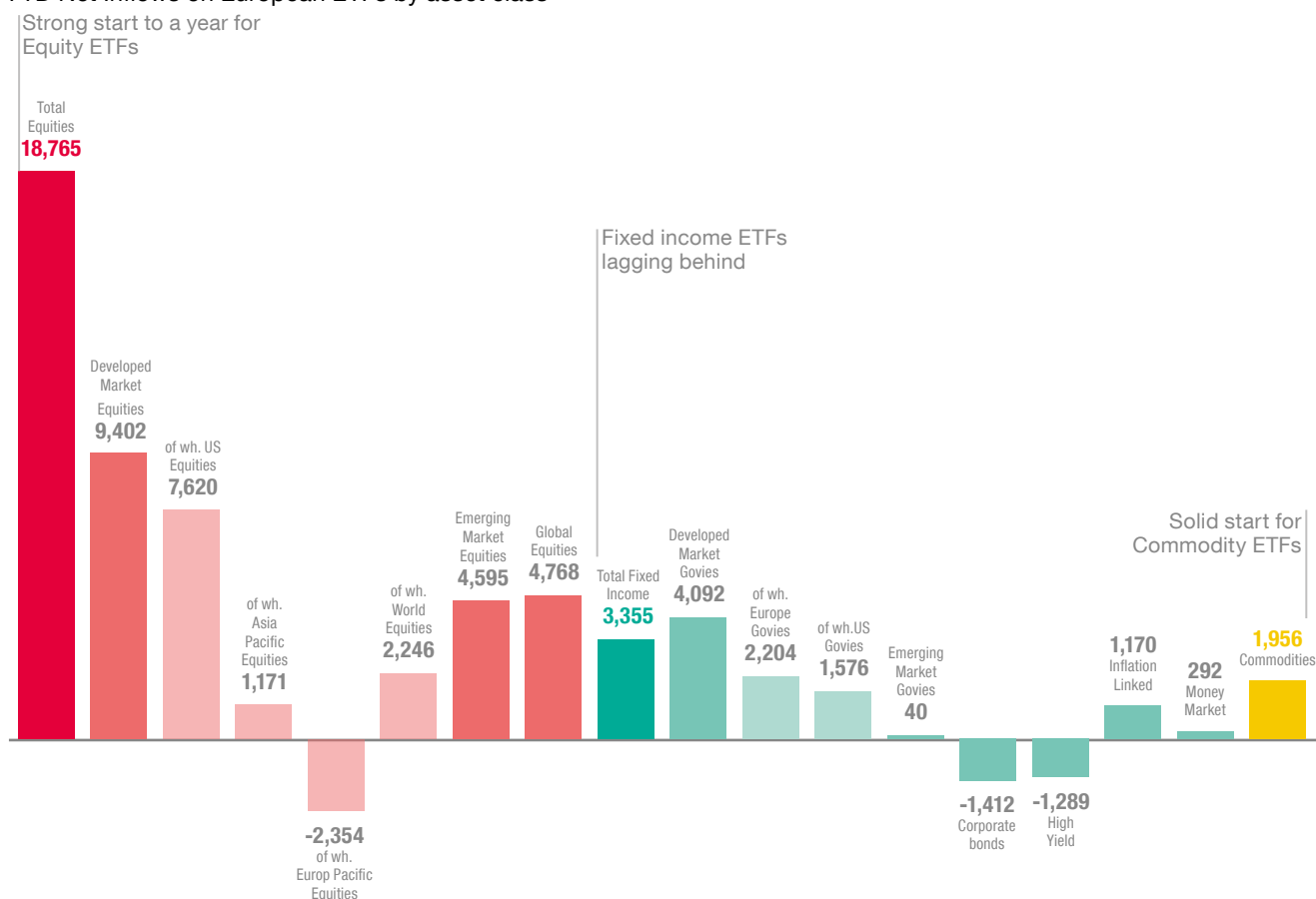
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What does it all mean?



YTD Net Inflows on European ETFs by asset class



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Source: Monthly data in EURM from 01/01/2018 to 31/05/2018, Bloomberg, Lyxor.
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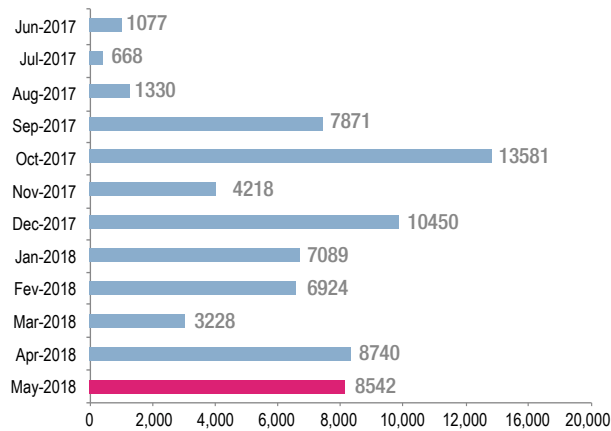
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Appendix: The month in numbers

European ETFs in April 2018 Net Inflows (EURm)

NNA rebounded slightly to €1.1bn from €668M in April

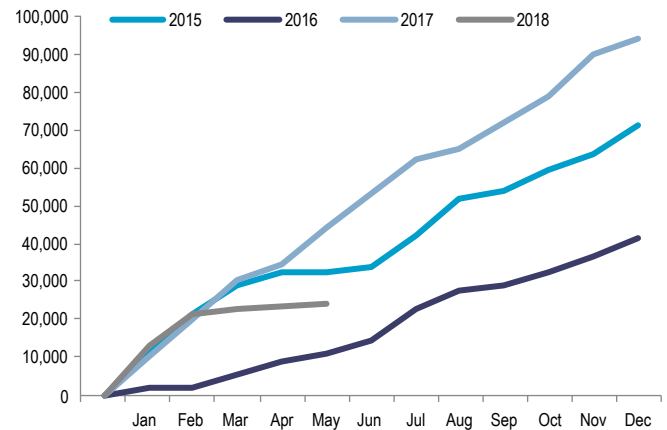
Monthly NNA on European ETFs



Total

Still a strong start to a year for European ETFs

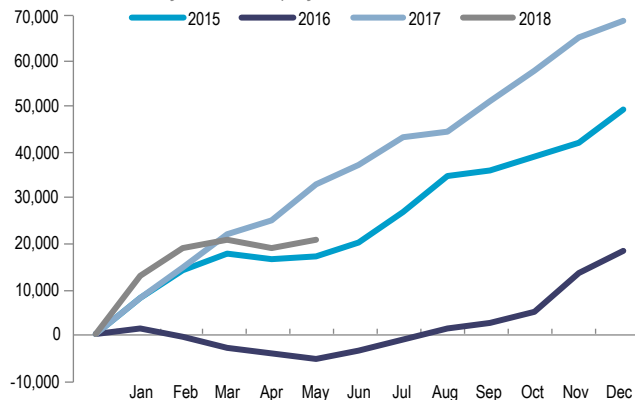
Cumulated monthly NNA assets on European ETFs



Equity

Second-best start to a year for equity ETFs with €18.8bn of inflows

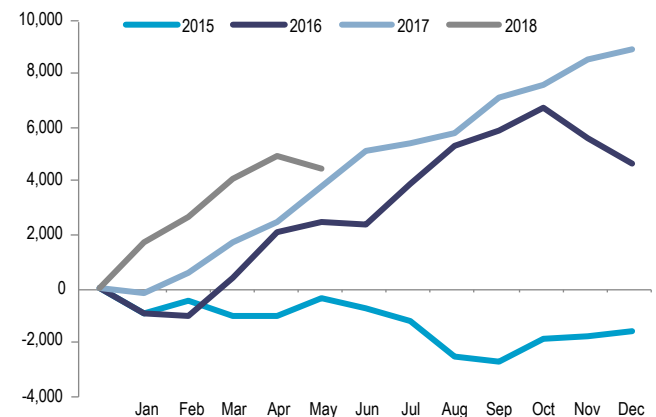
Cumulated monthly NNA on equity ETFs



Equity Emerging Market

Still a YTD record high for emerging market equity ETFs

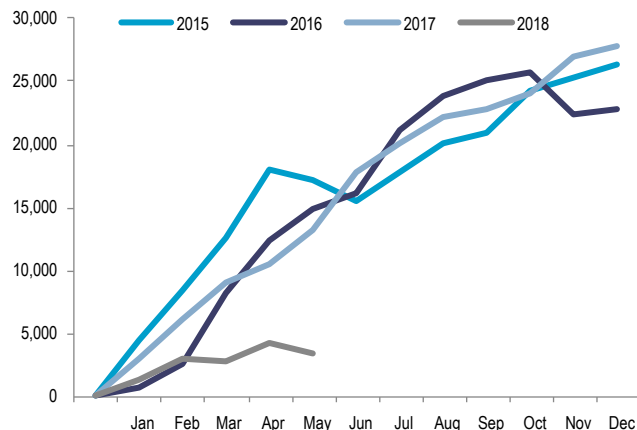
Cumulated monthly NNA on emerging market equity ETFs



Fixed income

Worst ever start for fixed income ETFs

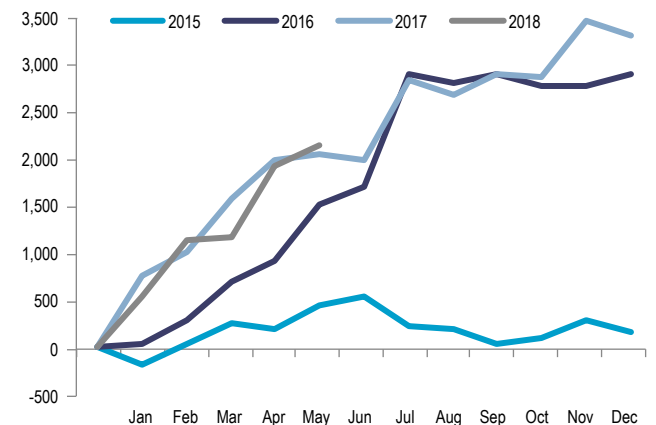
Cumulated monthly NNA on fixed income ETFs



Commodities

Record start for commodity ETFs

Cumulated monthly NNA on commodity ETFs



Source: Monthly data in EURM from 01/01/2015 to 31/05/2018, Bloomberg, Lyxor.
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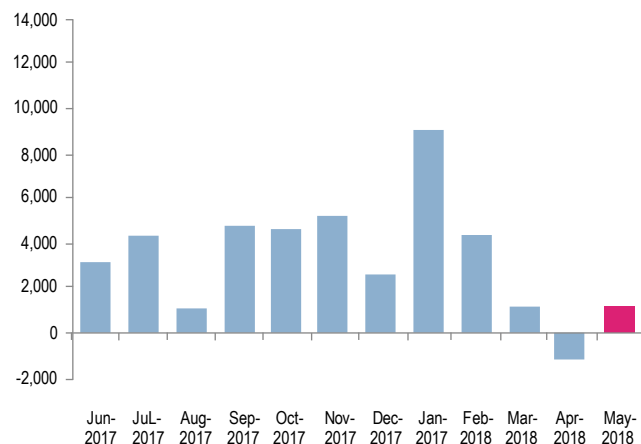
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Overview by asset class

Equity

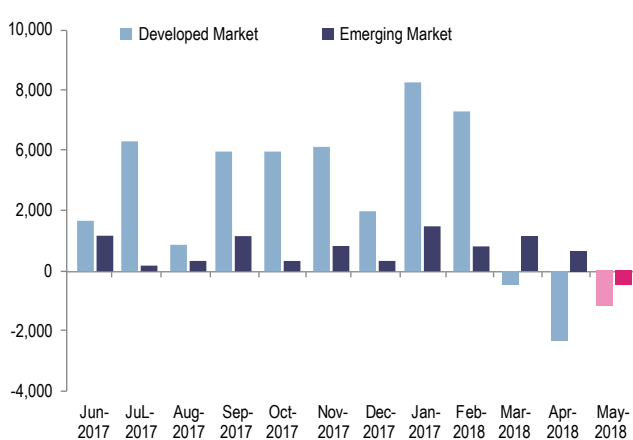
Equity ETF flows rebounded

Monthly NNA on equity ETFs



EM equities outdo developed market peers

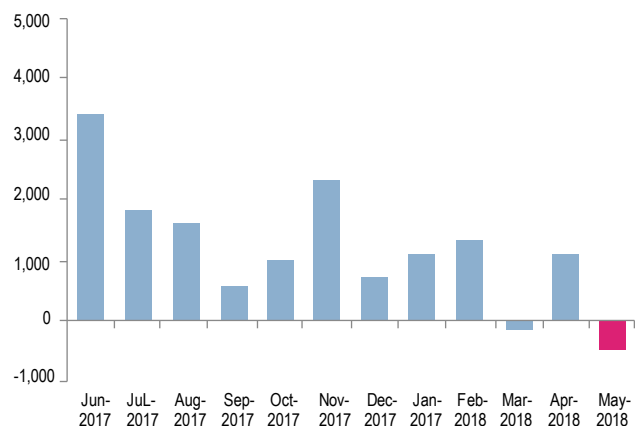
Monthly NNA on developed vs. emerging markets equity ETFs



Fixed Income

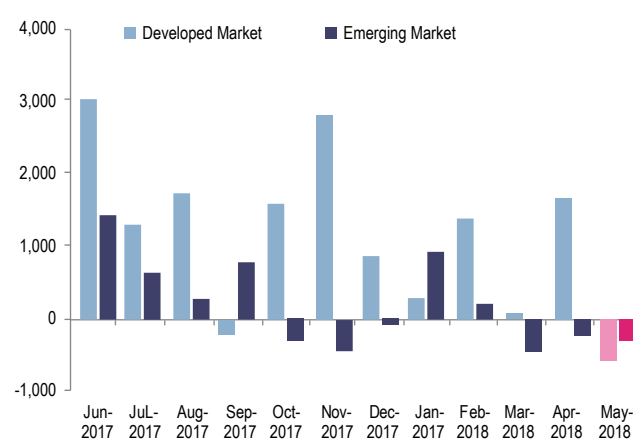
Fixed income ETF flows turned negative

Monthly NNA on fixed income ETFs



Both developed and emerging markets bonds suffered outflows

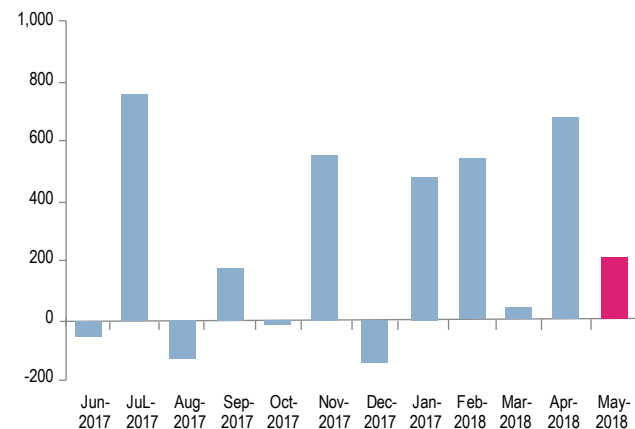
Monthly NNA on developed vs. emerging markets fixed income ETFs



Commodities

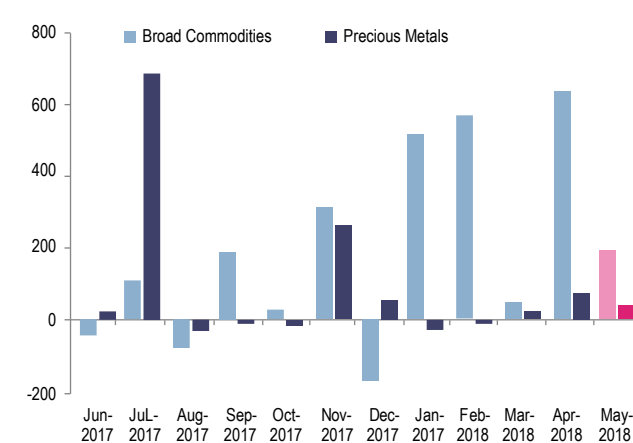
Commodity flows slowed

Monthly NNA on commodity ETFs



Broad commodities attracted most of the inflows

Monthly NNA on broad & precious metals ETFs



Source: Monthly data in EURM from 01/06/2017 to 31/05/2018, Bloomberg, Lyxor.
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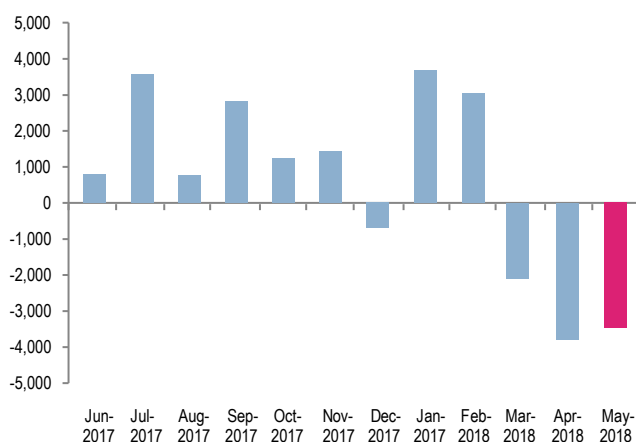
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Equities

European Equities

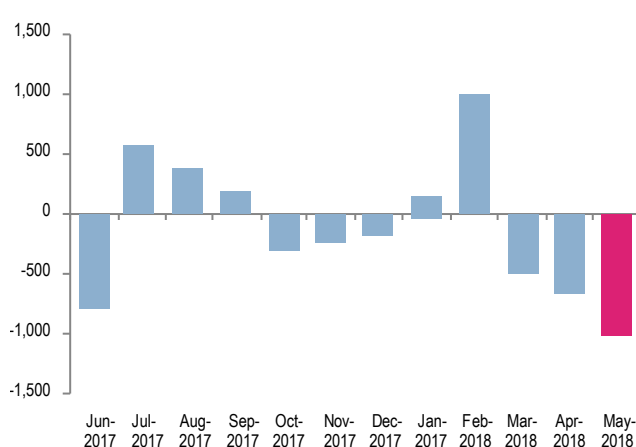
European equities suffered massive outflows, again

Monthly NNA on European equity ETFs



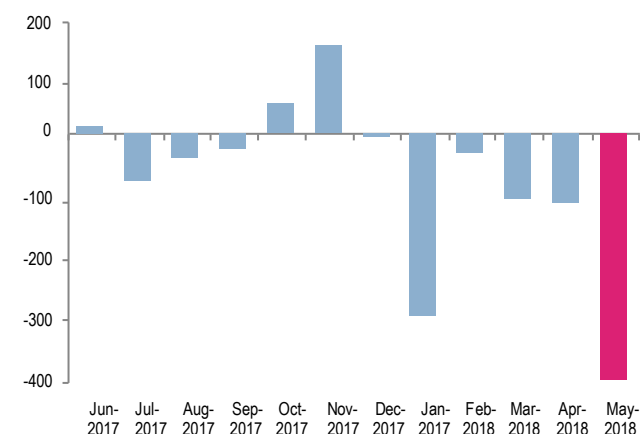
A third negative month for German equities

Monthly NNA on German equity ETFs



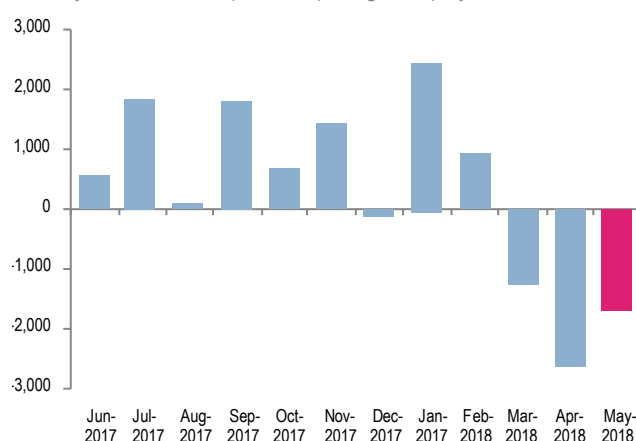
Outflows accelerated from Spanish and Italian equities

Monthly NNA on peripheral Europe equity ETFs



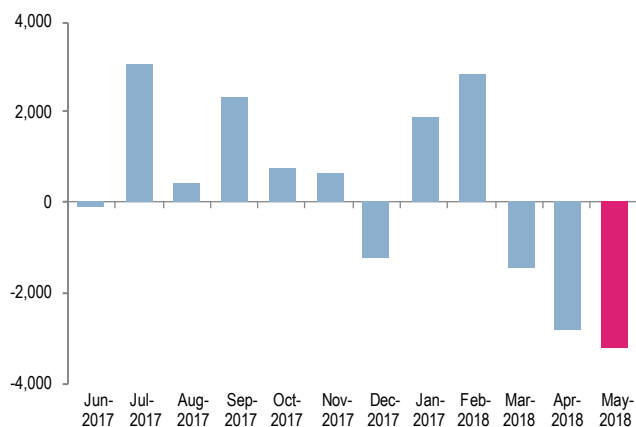
Developed Europe ETFs experienced a third successive negative month

Monthly NNA on developed Europe region equity ETFs



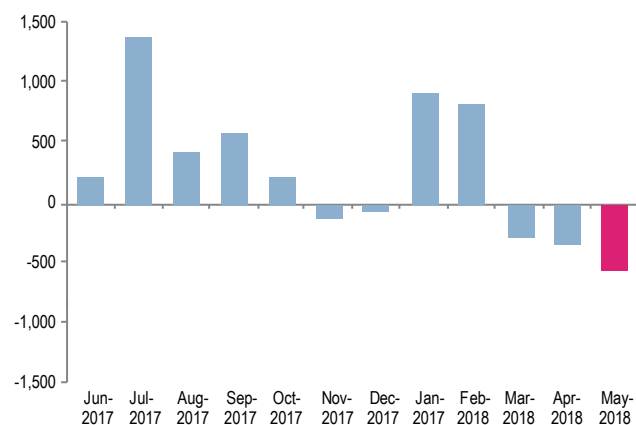
Worst month in two years for Eurozone ETFs

Monthly NNA on Eurozone equity ETFs



Negative trend continues for financials ETFs

Monthly NNA on financials Europe equity ETFs



Source: Monthly data in EURM from 01/06/2017 to 31/05/2018, Bloomberg, Lyxor.
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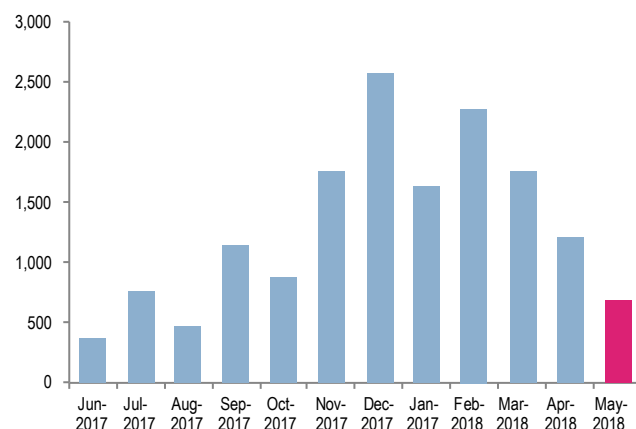
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Equities (cont'd)

US & Japan equities

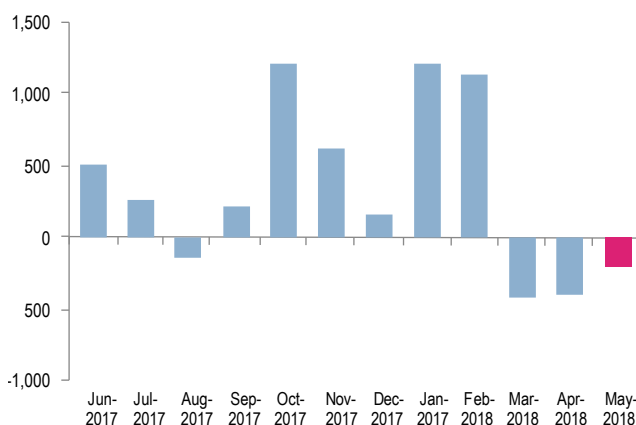
Flows into US equities continue to slow

Monthly NNA on US equity ETFs



Japan equities suffer another negative month

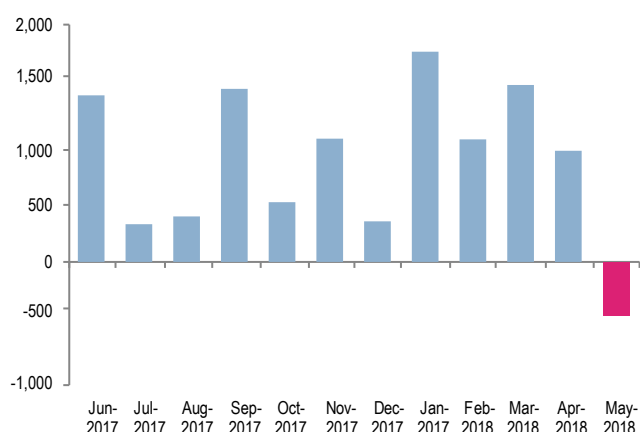
Monthly NNA on Japan equity ETFs



Emerging market equities

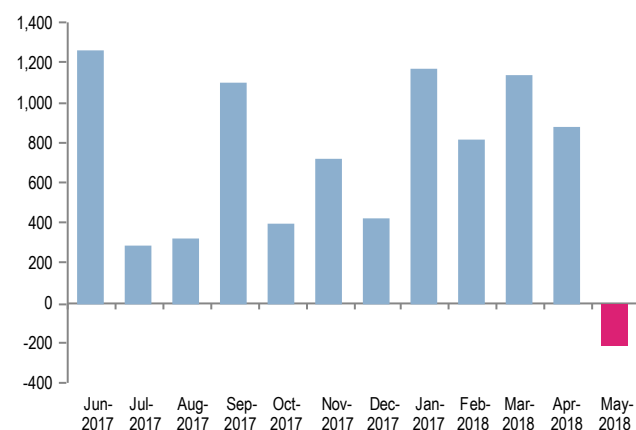
M equity flows turn negative for first time since January 2017

Monthly NNA on emerging market equity ETFs



Broad EM equities were partly to blame

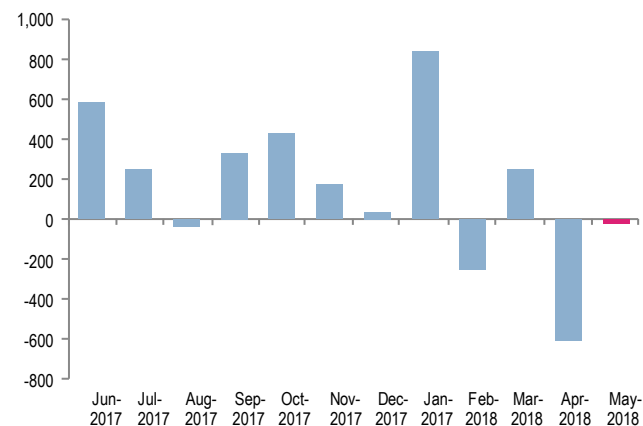
Monthly NNA on broad EM equity ETFs



Smart Beta / Value

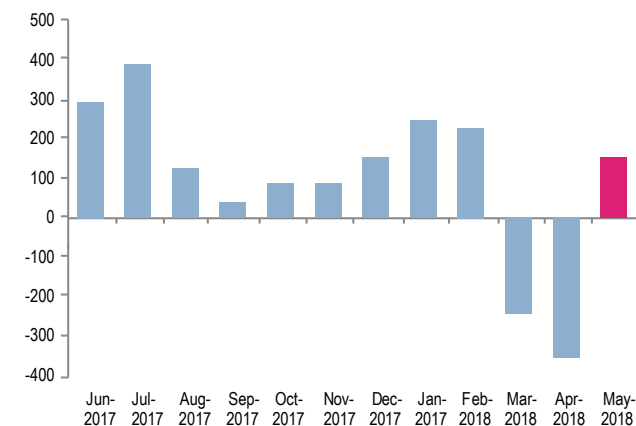
Smart beta remains unpopular

Monthly NNA on smart beta ETFs



Value ETFs rebounded

Monthly net new assets on value style equity ETFs



Source: Monthly data in EURM from 01/06/2017 to 31/05/2018, Bloomberg, Lyxor.
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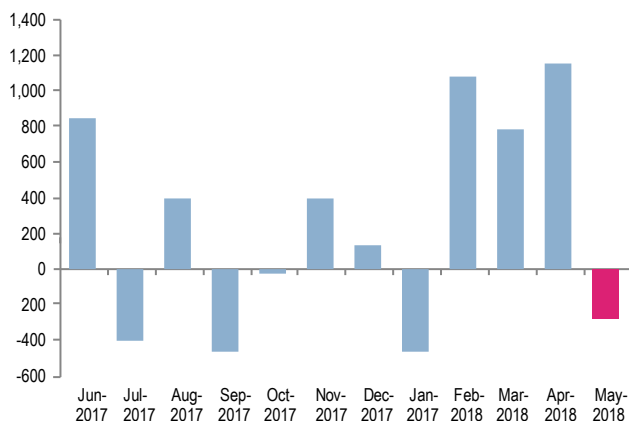
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Fixed Income

European Govies

EU government bond rally comes to an abrupt end

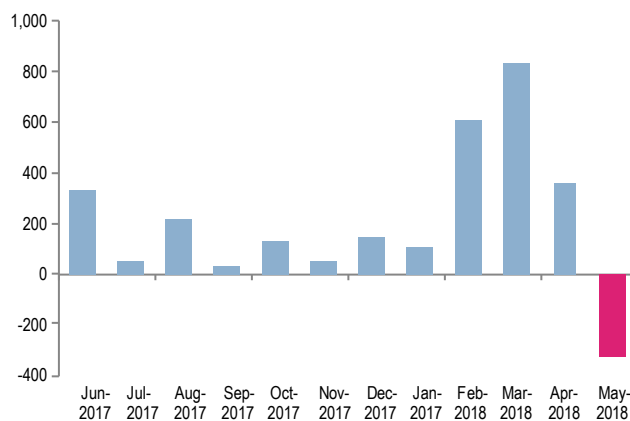
Monthly NNA on EU government bond ETFs



US Govies

US government bond flows also turn negative

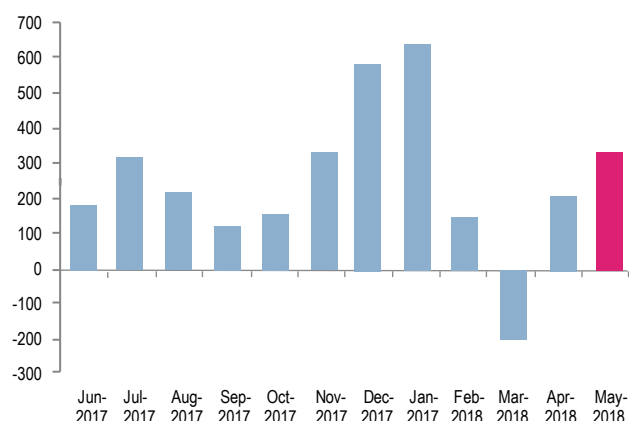
Monthly NNA on US government bond ETFs



Inflation Linked

A second month of significant inflows for inflation-linked bonds

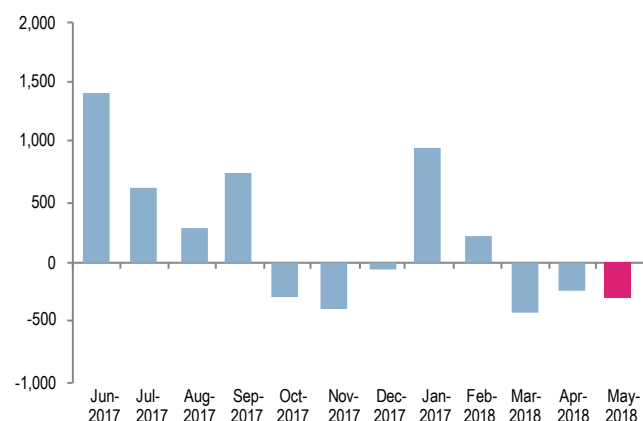
Monthly NNA on inflation-linked bonds ETFs



EM debt

Third month of outflows in a row for EM debt

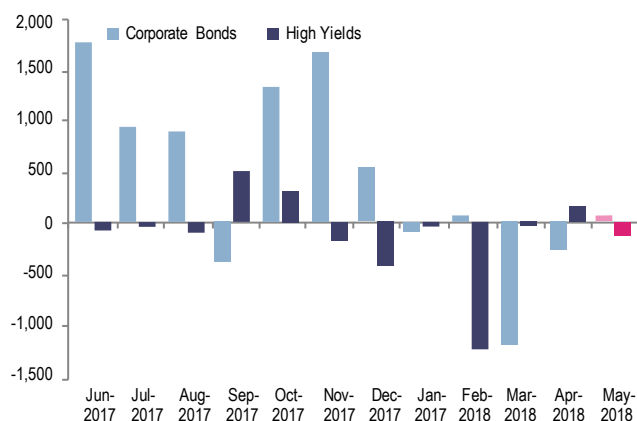
Monthly NNA on Emerging Market debt ETFs



Credit Market

Virtually flat month for both HY and IG bonds

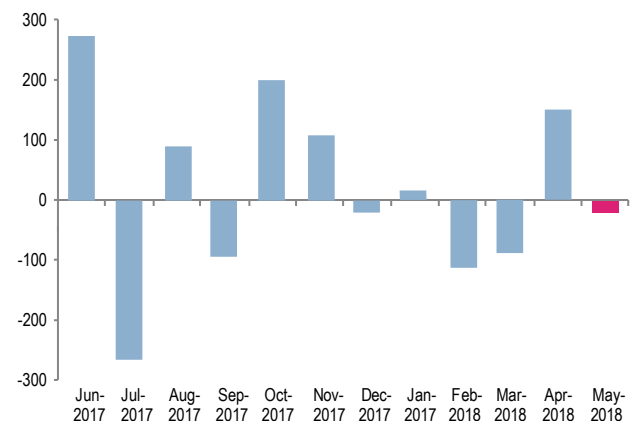
Monthly NNA on corporate & High Yield bond ETFs



Short Bond Strategy

No interest in short bond strategies...for now

Monthly NNA short bond strategy ETFs



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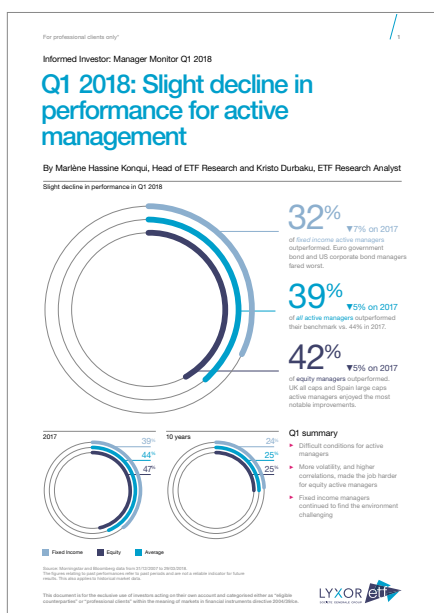
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