

GLOBAL ETP FLOWS

JULY 2023

Flows moderate: flows into global ETPs moderated slightly in July to \$88.1B, down from \$99.8B in June, largely due to a slight drop off in equity buying.

Fixed income buying rises: equity flows fell from \$76.9B in June to \$59.7B in July, while fixed income buying rose slightly to \$30.9B and commodity flows remained in negative territory, with a further \$3.6B of selling.

A selective approach: precision exposures were at the fore in July, with a broad rise in sector ETP buying amid Q2 earnings season, and India ETP flows hitting their second-highest level on record.

US leads the way in equities

Despite the drop from June, July still represented the second-highest inflow month this year for equity ETPs, against a backdrop of reduced equity allocations so far in 2023. As with June, US equity flows drove most of the buying (\$38.6B), while emerging market (EM) equity flows stayed relatively stable (\$11.1B), and Japanese equity buying fell from \$7.8B to \$2.6B.

International investors have started to meaningfully sell European equity ETPs over the summer. The exposure saw a fourth consecutive month of outflows, but the pace of selling slowed MoM to -\$2.2B. US-listed European equities lost a further \$0.9B in July.

Sector positioning in European equities has also shown signs of shifting. Outflows from European financials continued in July (-\$0.3B), following the \$0.7B out in June. We have seen positioning come off in European tech (-\$0.2B) and healthcare (-\$0.1B), while European materials notched a second consecutive month of inflows, with \$0.1B added in July.

Credit on the cards

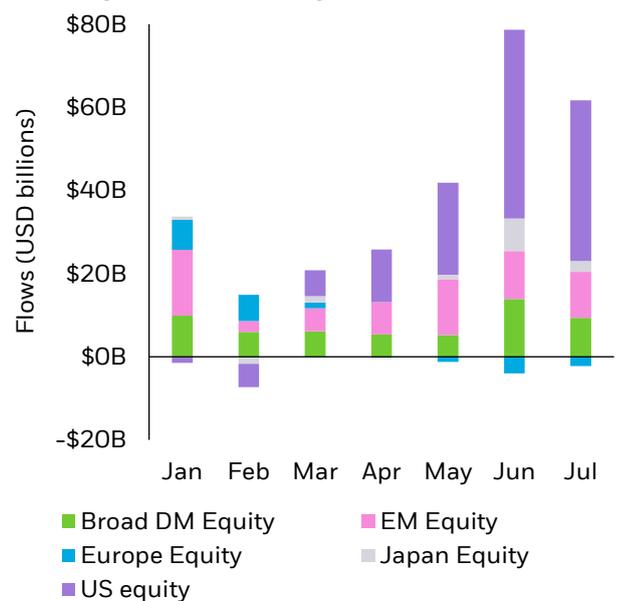
In fixed income, simultaneous inflows into investment grade (IG, \$5.1B) and high yield (HY, \$2.2B) ETPs continued for a second consecutive month in July, the first time this has happened since October-November 2022. In June, flows into IG were relatively equally split flows between listing regions, and this continued for EMEA and US-listed IG ETPs in July, with \$1.8B apiece.

For HY, the trend was similar, with \$0.8B into both EMEA and US-listed HY ETPs. US allocations were slightly down MoM, however, meaning that EMEA-listed ETPs accounted for a greater proportion of HY flows in July than in June.

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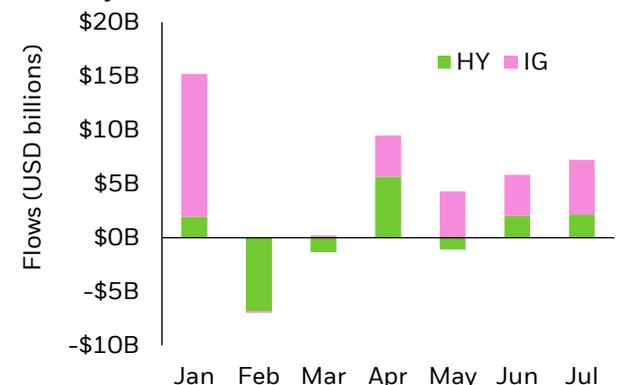
Consistency is key

Monthly flows into equity ETPs, 2023 YTD



A building trend?

Monthly flows into IG and HY ETPs, 2023 YTD



An Indian summer?

The \$11.1B added to EM equity ETPs was the lowest inflow month in the past three for the exposure, and once again heavily tilted towards APAC-listed inflows, which accounted for \$6.5B in July. Allocations to US-listed EM equity ETPs hit their highest level since January, with \$3.3B added in July, tilted towards single country exposures (\$1.8B). This contrasted with the trend in EMEA-listed flows, where broad EM equity buying has far outpaced single country allocations.

Indian equity ETPs notched up a further \$1.5B of inflows in July, the second-highest monthly inflow of the year and second-highest on record. In contrast to the record \$2.3B added in March 2023, the inflows in July came largely from international investors, with \$1.2B into US-listed Indian equity ETPs. Flows into EMEA-listed India ETPs have been positive for nine consecutive months, with a further \$0.2B added in July, taking YTD net inflows to \$0.7B.

On the bond front, flows into EM debt (EMD) ETPs followed the trend we saw in June, with buying relatively evenly split across listing regions for a second month in a row. Flows were led by EMEA-listed EMD ETPs (\$0.9B), culminating in a total \$2.0B into global EMD ETPs in July.

Precision picks up

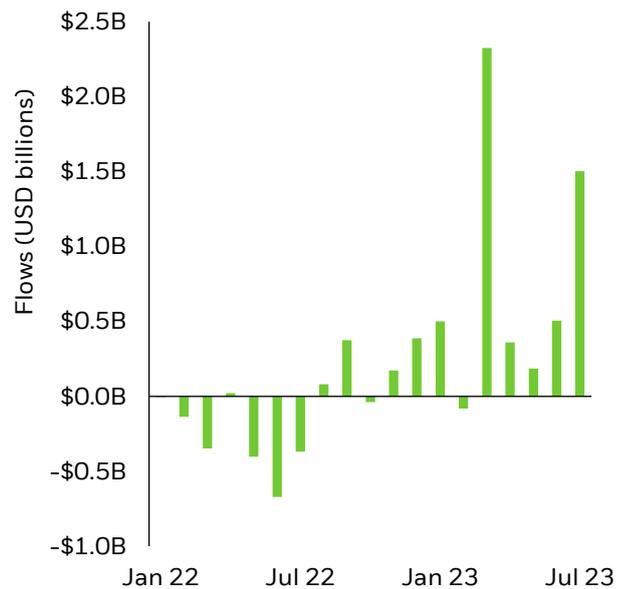
Flows into sector ETPs broadly rose in July, partly driven by positioning around the Q2 earnings season. Tech led the way, with \$5.0B added. US tech exposures saw \$1.0B of inflows in July, bringing the year-to-date total to \$6.3B, out of the \$20.8B YTD into broad tech ETPs.

Flows increased across all cyclical sectors, with energy (\$1.2B), financials (\$2.4B), industrials (\$1.6B) and materials (\$1.6B) all posting an increase in monthly allocations. For energy, this marks the first monthly inflows since November 2022, when \$1.0B was added. Between November and June, \$12.2B has come out of energy sector ETPs globally.

Similarly, in factors, value posted a second consecutive month of inflows, with \$0.8B added in July. Simultaneously, quality factor ETPs were sold for the first month since September 2022, with \$0.5B out.

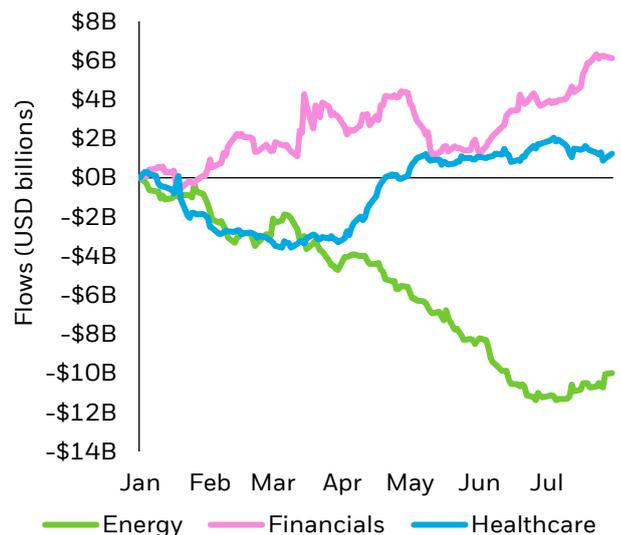
A double record year

Monthly flows into India equity ETPs, January 2022-July 2023



An injection of energy?

Cumulative flows into energy, financials and healthcare ETPs, 2023 YTD



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