Amundi | ETF
ASSET MANAGEMENT

ETF Market Flows Analysis

Summer overview with data as of end August 2023

During this summer, the ETF market attracted €95bn in-flows worldwide, with strong divergence between July and August.

In July, total in-flows were €73.1bn with equities adding €49.9bn compared with €23.3bn gained by fixed income ETFs. Large blend equity strategies were the most popular asset class gaining €16.8bn reflecting investors' appetite for US equity exposures. Investors allocated €5.4bn to long government bonds ETFs whilst they withdrew €2.5bn from short-term government bonds ETFs.

In August, in-flows were lower with €21.5bn. Fixed income was the more popular asset class gaining €13.9bn compared with in-flows of only €4.1bn into equities. Ultrashort bonds – which is a proxy for cash – was the most popular asset class with €7.5bn in-flows.

European Flows – Summer Overview

Equities

European UCITS equity ETFs added €13.2bn in July and August. US equity strategies gained €7.7bn, reflecting the global trend. Investors adjusted their portfolios' allocation with the objective to increase exposure to the US as the country displayed economic resilience on the back of fiscal incentives and business investment. World indices were the second most popular strategy adding €4.4bn while emerging market equity added €1.7bn. This represented a break with trend seen earlier this year when investors had favoured the EM asset class.

There were limited movements in sector and smart beta ETFs with financials losing €0.6bn and minimum volatility seeing withdrawals of €0.9bn.

ESG equity ETFs gained €4.1bn over July and August, equivalent to less than a third of total equity flows. ESG US equities ETFs were the most popular products gaining €3bn, just under half the allocations to these strategies. World indices gained €1.5bn, around a third of total allocations to this asset class.

Fixed Income

Continuing the trend seen in earlier months, fixed income was as popular as equities with investors adding €12.1bn to this asset class. This is impressive when considering the asset base of fixed income ETFs, which is 1/3 that of equities.

Government bonds were the more popular asset classes gaining €8.2bn over these two months, with US dollar-denominated debt the most popular gaining €4.2bn over July and August. Euro-denominated debt added €2.5bn. Investors appeared to be narrowing their views on this asset class overall with quite similar amount allocated to all maturities (€3.0bn), long-term bonds (€2.9bn) and short-term bonds (€2.1bn). The market seems to be divided into those who think US interest-rates have peaked and those who do not. In contrast, all maturity products were more popular for Euro-denominated debt.

Corporate debt was less popular this summer with investors only allocating €1.3bn to this asset class with US-dollar denominated debt gaining €1bn overall.

This summer, ESG fixed income had in-flows of €1.9bn with investors adding €0.7bn to ESG government bond strategies and €0.6bn to ESG corporate debt. ESG fixed income ETFs only represent 16% of the total fixed income in-flows (vs 31% for equity ESG ETFs). The popularity of government bonds is driving the lower allocation to ESG in fixed income as is it much more complex to integrate responsible investment principles into these assets. Product providers are, however, rising to this challenge by thinking about how sustainability can be more embedded.