

## Follow The Flow

## A tapering in IG inflows

Credit Analysis

## Higher rates, more inflows into govies

A V-shaped rebound in rates looks to have slowed the recent rapid inflows into credit. That said, we see structural demand for the asset class over the longer run. The ECB will embark in a notable rate cutting cycle over the next years. Amid low growth and low inflation in Europe, the ECB is likely to cut depo rates to sub-2%. However, the recent ascent in “risk-free” rates since the beginning of the year is slowing the pace of inflows into credit funds. Conversely, over the past two weeks inflows into government bond funds have accelerated notably. Note that in a world of higher “risk-free” rates flows tend to gravitate to government debt funds, rather than into credit funds.

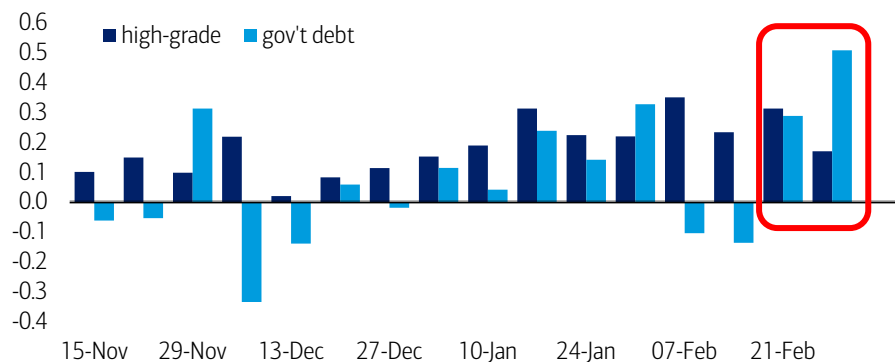
## Over the past week...

**High grade** funds recorded another inflow last week, the 17<sup>th</sup> inflow in a row. On the duration front, inflows were recorded across short-term, mid-term and long-term IG funds, with short-term IG funds outperforming (in % of AUM flow terms).

**High-yield** funds recorded another substantial inflow last week; the 11<sup>th</sup> week of inflows in a row. HY ETF funds also recorded an inflow last week. Looking into the domicile breakdown of HY funds (chart 12), Euro, Global and US-focused funds recorded inflows last week, with Euro-focused funds outperforming.

**Exhibit 1: Inflows slowdown in IG funds. Inflows accelerate in Government debt funds.**

Weekly flows data (% of AUM) for European domiciled funds



Source: EPFR Global

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**Government bond** funds recorded another inflow last week; the second inflow in four weeks. **Money market** funds on the other hand recorded an outflow last week; the third week of outflows in a row. **Global EM debt** funds recorded an outflow last week, for the third week in a row. Overall, **fixed income** funds saw another significant inflow last week, for the 11<sup>th</sup> week in a row. **Equity** funds recorded a marginal outflow last week, a slower outflow pace compared to the last 9 weeks of outflows. Note that equity funds have recorded only four weeks of inflows since Feb'23. **Commodity** funds saw an outflow last week, the eighth consecutive week of outflows.

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Credit Strategy  
Europe

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**Table 1: Weekly and YTD European retail flows**

Weekly fund flows data across assets

| Sector          | This Week  | 1 Wk (%) | YTD       | YTD (%) |
|-----------------|------------|----------|-----------|---------|
| HY              | \$790      | 0.3%     | \$3,675   | 1.4%    |
| HY (ETFs)       | \$106      | 0.3%     | \$1,702   | 5.7%    |
| IG              | \$2,962    | 0.2%     | \$37,897  | 2.2%    |
| in euros        | \$532      | 0.1%     | \$16,287  | 1.9%    |
| in sterling     | \$696      | 0.3%     | \$1,968   | 0.8%    |
| in usd          | \$999      | 0.3%     | \$12,484  | 3.8%    |
| IG (ETFs)       | (\$543)    | (0.3%)   | \$4,946   | 2.7%    |
| Loan            | \$1        | 0.0%     | (\$86)    | (1.0%)  |
| Govies          | \$2,864    | 0.5%     | \$7,922   | 1.4%    |
| Fixed Income    | \$6,294    | 0.2%     | \$47,561  | 1.6%    |
| MM              | (\$12,474) | (0.7%)   | \$42,172  | 2.4%    |
| Equities        | (\$32)     | (0.0%)   | (\$8,630) | (0.6%)  |
| Equities (ETFs) | \$1,166    | 0.3%     | \$1,260   | 0.4%    |
| Commodities     | (\$436)    | (0.3%)   | (\$2,269) | (1.7%)  |
| Global EM debt  | (\$420)    | (0.1%)   | (\$3,750) | (0.8%)  |

**Source:** EPFR Global. In \$mn; week ending 28<sup>th</sup> February. Data refers to European domiciled funds, except for EM debt funds that refer to global. Some IG funds can also allocate to government bonds. Note that IG funds are also split into other currencies away from Euro, USD and GBP.

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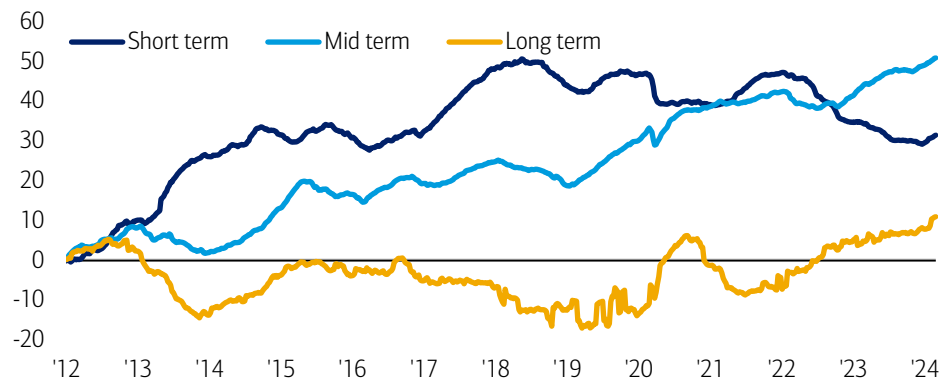
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# Flow chart book

## Chart 1: IG flows by maturity - Cumulative weekly flows (% of AUM)

Mid-term IG funds have fared better than short- and long-term funds over the past year

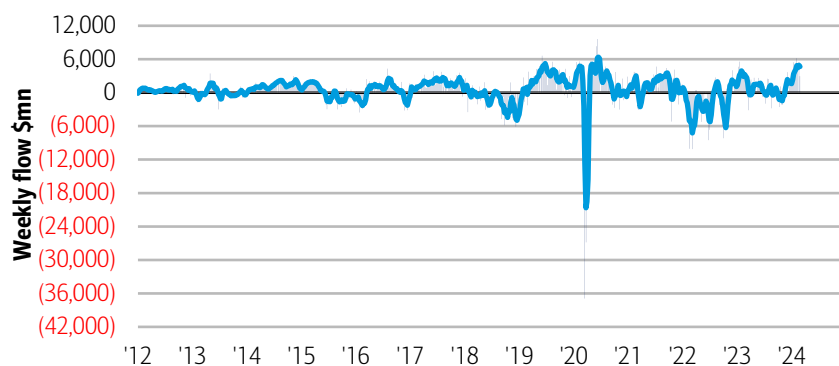


Source: EPFR Global. Maturity segments: short-term funds: up to 4yr; mid-term funds: 4-6yr; long-term funds: 6yr +

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## Chart 2: High-grade weekly inflows/outflows

Last week's 4wk average has been \$4.7bn; Blue line is 4wk average

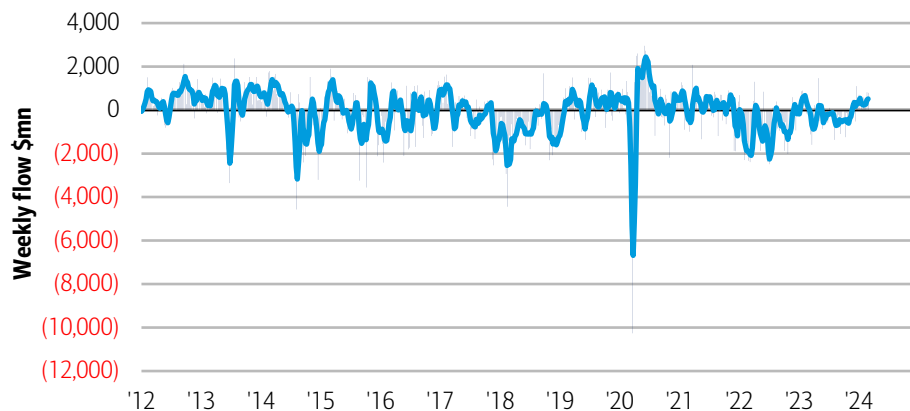


Source: EPFR Global

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## Chart 3: High-yield weekly inflows/outflows

Last week's 4wk average has been \$512mn; Blue line is 4wk average

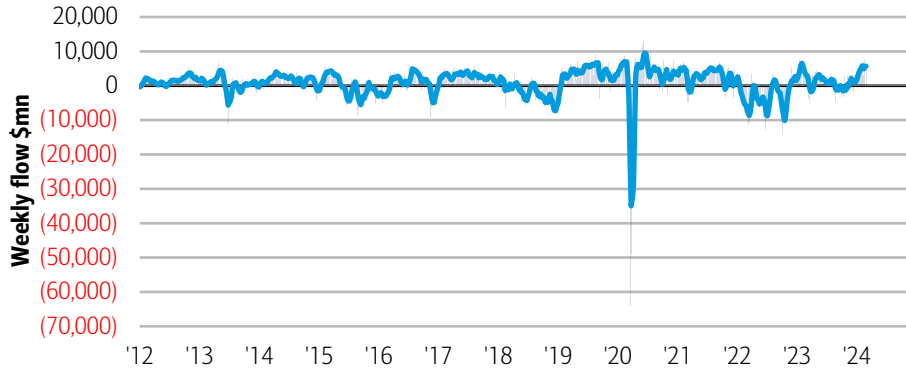


Source: EPFR Global

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**Chart 4: Fixed-income weekly inflows/outflows**

Last week's 4wk average has been \$5.7bn; Blue line is 4wk average

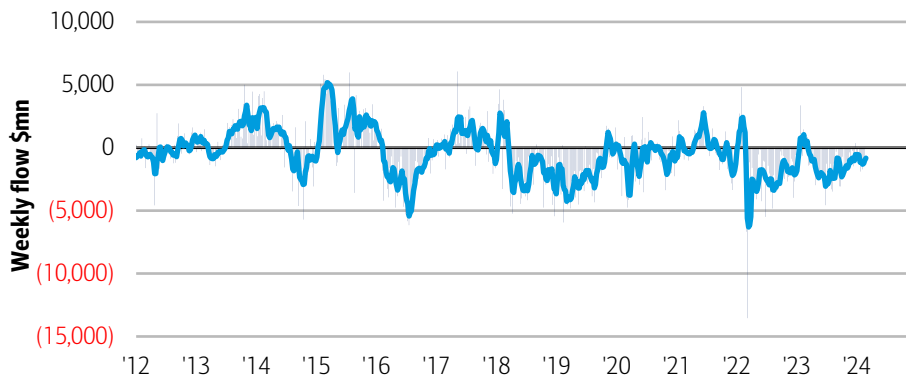


Source: EPFR Global

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**Chart 5: Equity weekly inflows/outflows**

Last week's 4wk average has been -\$829mn; Blue line is 4wk average

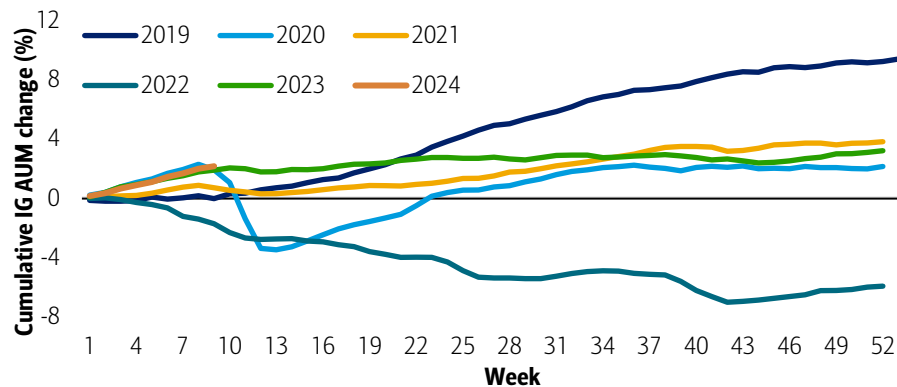


Source: EPFR Global

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**Chart 6: Cumulative AUM increase/decrease**

High-grade funds have seen inflows YTD of +2.2%

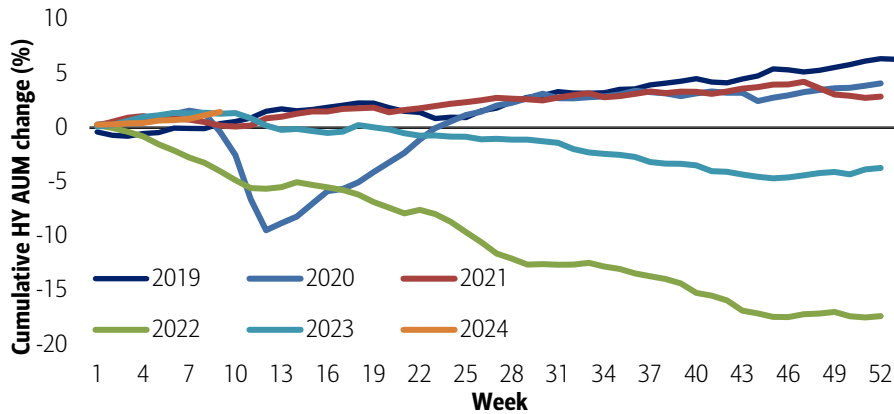


Source: EPFR Global

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**Chart 7: Cumulative AUM increase/decrease**

High-yield funds have seen inflows YTD of +1.4%

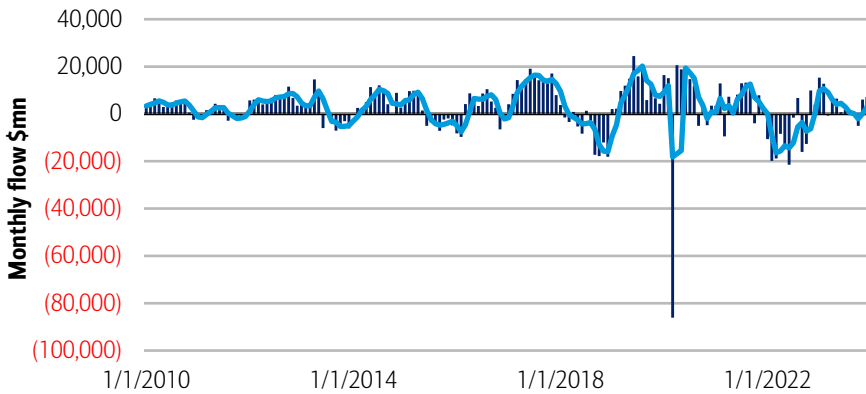


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**Chart 8: High-grade monthly inflows/outflows**

Last month's quarterly average has been \$10.3bn; Blue line is quarterly average

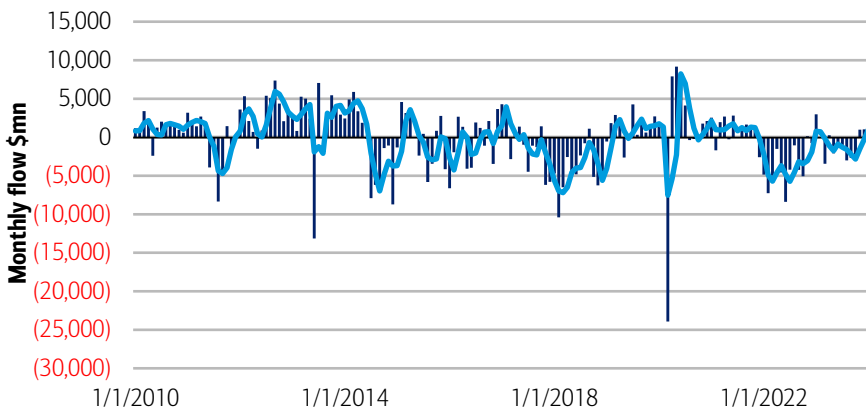


Source: EPFR Global

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**Chart 9: High-yield monthly inflows/outflows**

Last month's quarterly average has been \$1.1bn; Blue line is quarterly average

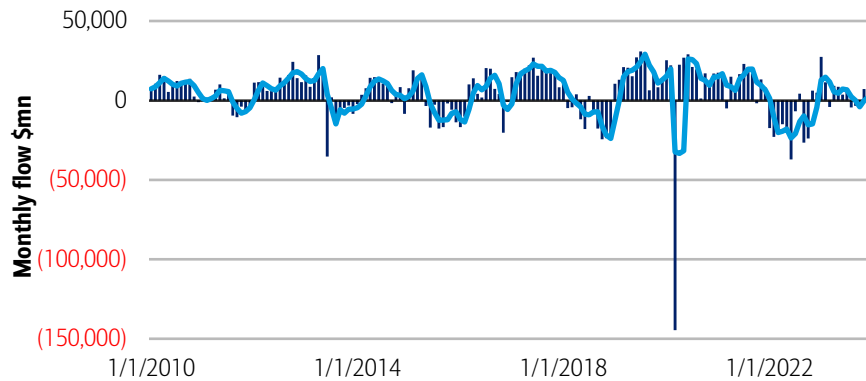


Source: EPFR Global

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**Chart 10: Fixed income monthly inflows/outflows**

Last month's quarterly average has been \$11.1bn; Blue line is quarterly average

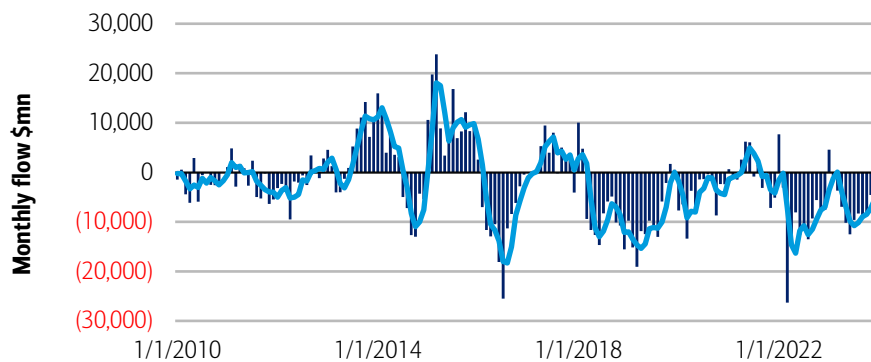


Source: EPFR Global

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**Chart 11: Equities monthly inflows/outflows**

Last month's quarterly average has been -\$4.6bn; Blue line is quarterly average

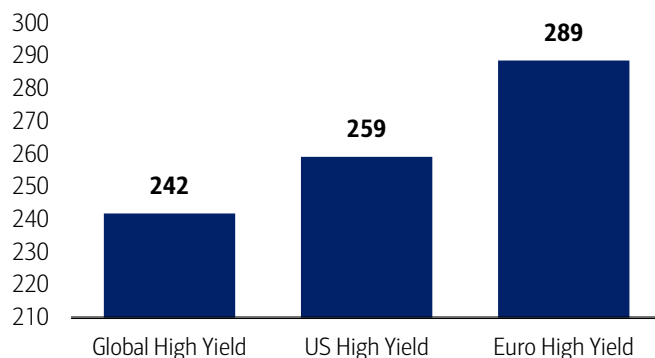


Source: EPFR Global

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**Chart 12: European domiciled HY fund flows, split by fund focus**

Global, Euro and US-focused funds recorded inflows last week. Euro-focused funds outperforming.



Source: EPFR Global, BofA Global Research

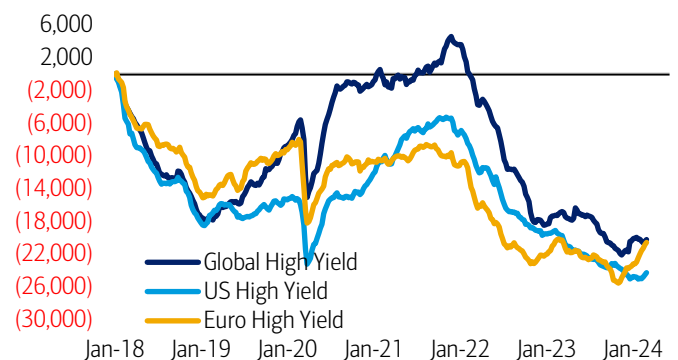
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**Chart 13: Europe domiciled HY credit fund flows by fund focus**

Weekly cumulative fund flows (\$mn).

Euro focused funds outperforming recently.



Source: EPFR Global, BofA Global Research. Cumulative since Jan 2018.

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