Fixed-Income ETF Flows Across Assets and Maturities

BI Credit Strategy, North America Dashboard

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1. ETF Flows Reflect Credit-Risk Appetite, Trimming Duration Bets

(Bloomberg Intelligence) -- Fixed income ETF flows reflect ongoing credit risk appetite. U.S. corporate-bond funds led net inflows in the four weeks ended Oct. 18, while U.S. Treasury ETFs lost assets. Long-term bond funds too had outflows as investors pared duration bets. Bloomberg Barclays corporate and emerging bond index spreads slid to the tightest level in three years this week amid easing geopolitical tensions and the prospect of tax reform risk-on market sentiment.

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U.S. Treasury ETF inflows are $15.5 billion year-to-date, or 23% of total assets under management. U.S. high grade corporate ETFs drew a net $35 billion, or 26% of AUM. Emerging debt ETFs took in $16 billion, or about 33% of AUM, while $6 billion joined U.S. corporate junk ETFs, about 10% of AUM. (10/20/17)

Topics

ETF Investors Boost Credit Bet

ETF Flows Reveal Credit Risk Appetite; Corporate Spreads Narrow

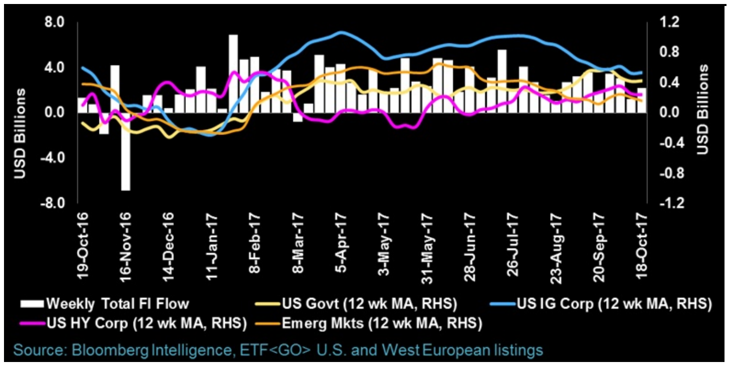
Corporate-bond ETFs continue to see strong inflows as easing geopolitical tensions, improving global growth data and the prospect of U.S. tax cuts drove credit spreads to the tightest levels in three years, while equity benchmarks climbed to record highs. (10/20/17)

2. Fixed Income ETFs Attract Steady Inflows

Fixed income ETFs saw net inflows for a 32nd straight week and have garnered $127 billion in 2017 or 17% as a share of assets under management. ETFs pegged to U.S. corporate bonds saw the largest inflow recently, with investment grade funds taking in $3.5 billion, 2.6% of AUM, in the four weeks ended Oct. 18 while high yield funds took in $1.9 billion, 3.4% of AUM. Equity benchmarks hit new records while credit spreads touched three-year lows on encouraging global growth data and prospects of tax reform in the U.S.

Almost $855 million fled U.S. Treasury ETFs over the period, representing 1.3% of AUM. Funds focused on emerging market debt -- sovereign and corporate -- gained $467 million, about 1% of AUM. (10/20/17)

Trends in Fixed-Income ETF Flows

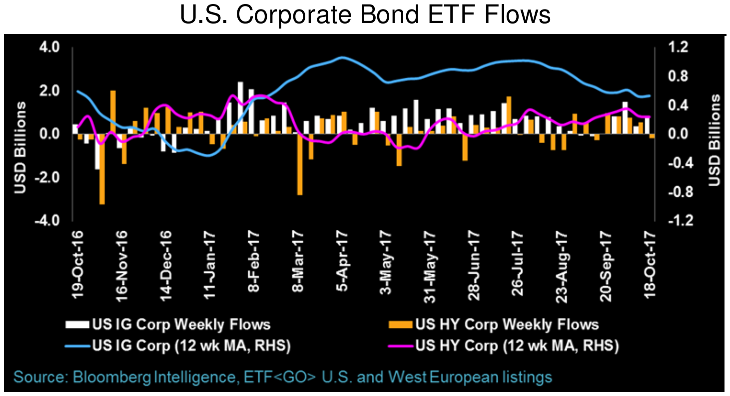


3. U.S. Corporate Bond ETFs Add 3% of AUM

Easing geopolitical tensions and the prospect of U.S. federal tax reform boosted credit appetite as option-adjusted spreads over Treasuries for the Bloomberg Barclays corporate bond indexes on Oct. 18 touched the narrowest levels in over three years -- 97 bps for the high grade benchmark and 337 bps for high yield. ETFs focused on U.S. corporate bonds saw inflows equivalent to about 3% of assets under management over the four weeks ended Oct. 18, although junk inflows have abated entering 3Q earnings season.

The iShares iBoxx $ High Yield Corporate Bond ETF (HYG), the largest corporate junk ETF by assets under management, took in almost $1 billion over the past four weeks, almost 5% of AUM. The iShares iBoxx $ Investment Grade Corporate Bond ETF (LQD) took in $1.5 billion over the period, almost 4% of AUM. (10/20/17)

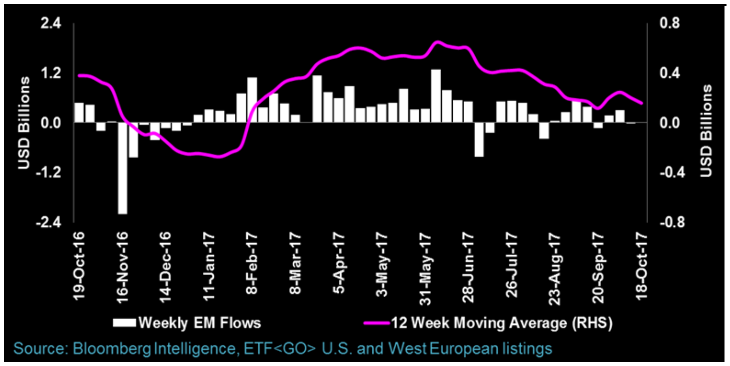
U.S. Corporate Bond ETF Flows



4. Emerging Market Bond ETF Inflows Pause

Flows into ETFs focused on emerging market debt -- sovereign and corporate -- dwindled in the two weeks ended Oct. 18 as investors may be re-evaluating the impact of higher U.S. base rates on these issuers. Over 70% of the $36 billion of assets tracked by the five largest EM ETFs is in dollar-denominated bonds. Year-to-date EM fund inflows outpaced corporate and sovereign bonds relative to the size of assets managed, gaining $16 billion, or 33% of AUM. (10/20/17)

Trends in Emerging Market Bond ETF Flows

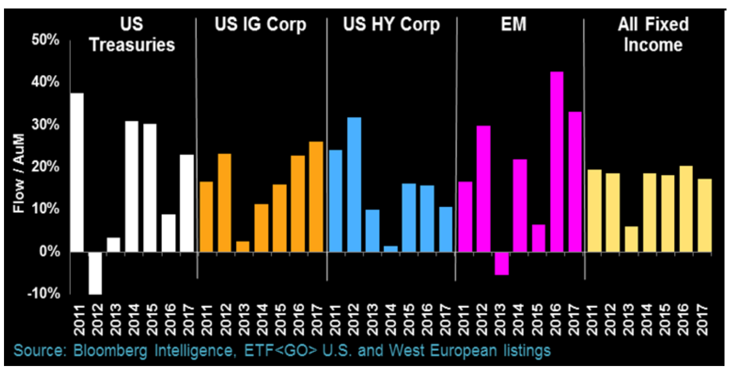


5. EM, U.S. High Grade Debt Lead 2017 Bond ETF Inflows

Global fixed-income ETF inflows reached $127 billion in 2017 through Oct. 18. That's about 17% of assets under management, compared with last year's 20% over the same period. U.S. Treasury ETFs took in $15.5 billion, or 23% of assets. U.S. corporate high grade ETFs have attracted almost $35 billion for the year, about 26% of assets, on strong demand for the additional yield provided by company bonds vs. ultra-low global sovereign rates.

Net flows into emerging market debt ETFs tally $16 billion year to date, or 33% as a share of AUM. U.S. high yield corporate ETFs had a net $6 billion of inflows over the period, about 10% of AUM. (10/20/17)

Fixed-Income ETF Flows: Jan. 1-Oct. 18

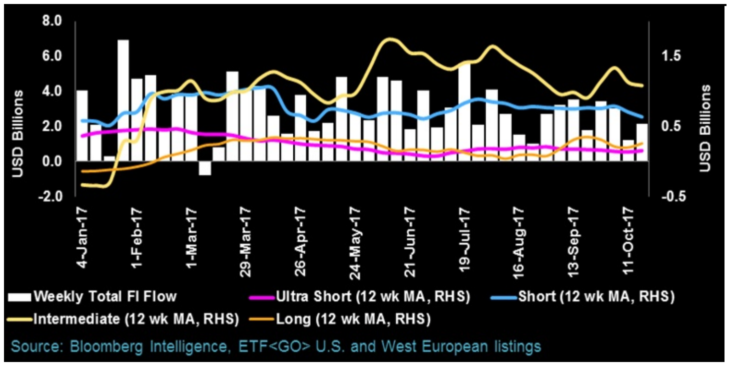


Subsiding Rate Risk Appetite

6. Long-Maturity ETFs See Outflows as Investors Pare Back Rate Risk

Fixed-income ETF flows reflect lower interest-rate risk appetite, as long-duration funds saw outflows equivalent to 1.4% of assets under management for the four weeks ended Oct. 18 vs. inflows of 3.1% of AUM for ultra-short term funds, 1.2% of AUM for short term funds and 1.9% for intermediate term. The 10-year benchmark U.S. Treasury yield has risen over 25 bps since the Federal Reserve's Sept. 7 announc ement that it will start shrinking its balance sheet in 4Q. (10/20/17)

Trends in Fixed-Income ETF Flows by Maturity



Bond ETFs AUM Outpacing Stocks, Commodities

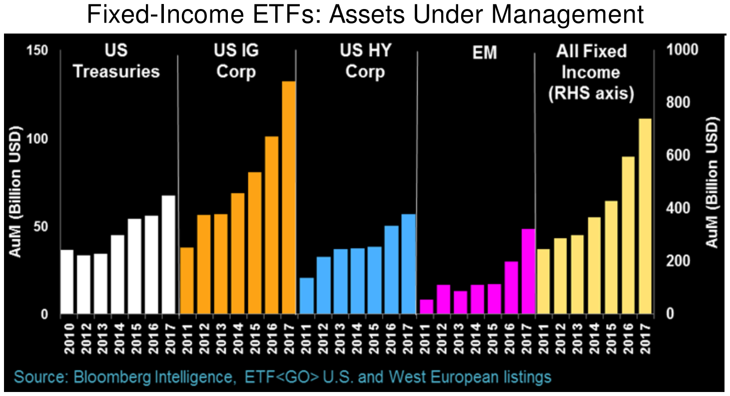
Bond ETF Asset Growth Outpacing Stock, Commodity Counterparts

Growth of fixed-income ETF assets has outpaced stock and commodity funds since 2010, reflecting demand for bond exposure with the convenience of ETFs. Emerging market debt and investment grade U.S. corporate funds grew the fastest, although the bulk of ETF assets under management are still in equity-focused funds. (10/20/17)

7. Emerging Market and U.S. Corporates Lead Bond ETF Asset Growth

The near-quadrupling of global fixed-income ETF assets under management since December 2010, to about $740 billion as of Oct. 18, reflects investor appetite for bond exposure through liquid ETF securities. Emerging market debt ETFs expanded the fastest, to about $48 billion from $5 billion in 2010. Assets of U.S. high yield bond ETFs grew about 300%, while U.S. investment grade corporate assets under management increased 400% and U.S. Treasury ETFs more than doubled to about $68 billion. (10/20/17)

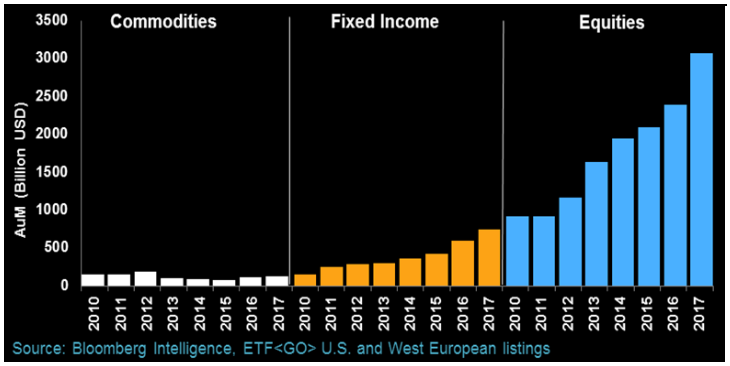
Fixed-Income ETFs: Assets Under Management



8. Bond ETF Asset Growth Outstrips Commodity, Stock Funds

Global fixed-income ETF assets under management have climbed 380% since December 2010 to about $740 billion. This is on net issuance of $550 billion of shares as of Oct. 18. By comparison, equities-focused ETF assets tripled to $3.1 trillion. Commodity ETF assets, while rebounding lately, are down 13% to $127 billion during the period. Mark-to-market losses have taken a toll, despite $20 billion of inflows. Commodity prices have plunged 46% since December 2010, based on the Bloomberg Commodity Index. (10/20/17)

ETF Assets Under Management



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