Press Release
For immediate release

Fixed income ETFs attract $8.3bn in January amid peak rates

- Fixed income ETFs attracted $8.3bn in net new assets (NNA) in January, the highest monthly figure since July 2023
- While pace is likely to slow, 2024 is set to be a strong year for fixed income ETFs as rates have likely peaked in developed markets
- EUR IG credit was strongest category for inflows in January, followed by high yield

London, 9 February 2024 - *Paul Syms, Head of EMEA ETF Fixed Income and Commodity Product Management at Invesco, comments:*

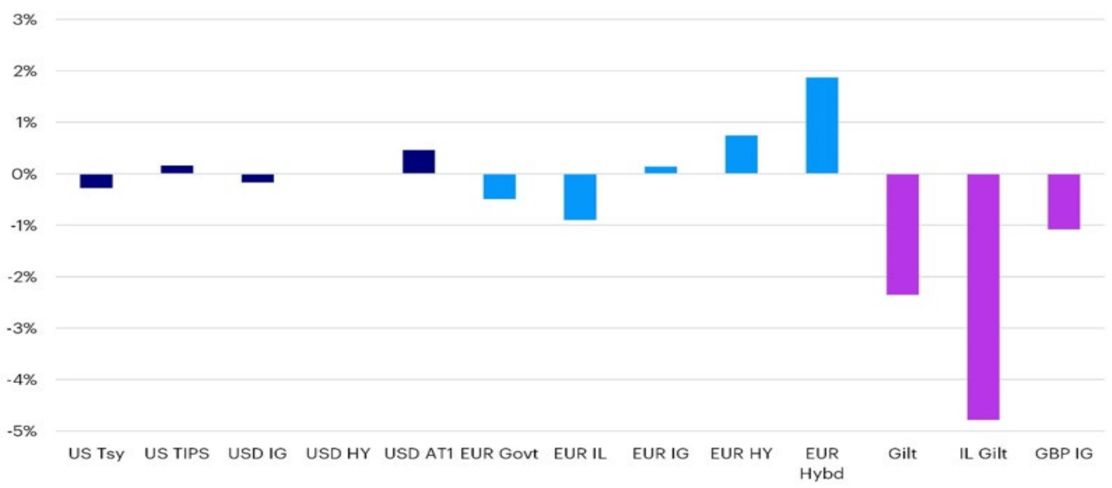
"Following the very strong performance in the last two months of 2023, the bond market rally stalled in January. Central bank rhetoric indicated that they felt markets had gone too far by markets pricing amongst imminent easing of monetary policy and pushed back on expectations for the timing of the first-rate cuts. However, while bond yields rose for most of January, they bounced towards the end of the month, helped by US inflation data continuing to trend towards target.

"While January is traditionally a heavy month for supply, 2024 set new records. In Europe alone, primary issuance had topped €300bn a couple of days before month end, beating last year's January total of €293bn, according to Bloomberg.

"But, while the volume of supply also kept pressure on yields, it was met with incredibly strong demand. Bids for new issues in Europe had topped €1Tn by the middle of the month, around 10 days earlier than the previous record set is 2021.

"US investment grade credit markets also saw record supply of around $200bn. With rates likely to fall during the coming year, and US and European investors sitting on record levels of cash, demand for new issues is likely to remain strong."

Asset class returns – January 2024



Source: Bloomberg, Invesco, as at 31 Jan 2024

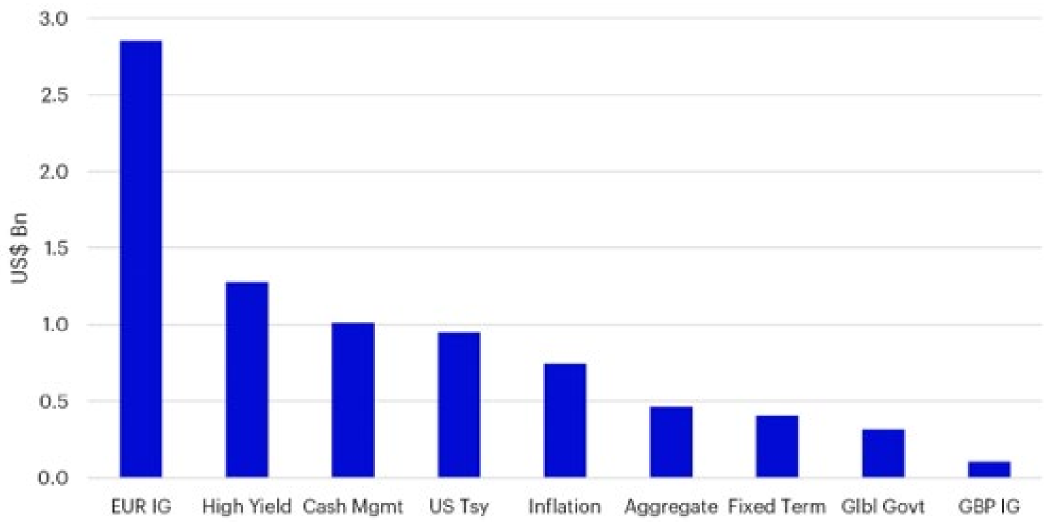
Fixed income ETFs see strongest inflows since July 2023

“Fixed income ETFs saw strong inflows in January with $8.3bn NNA being the best month since last July, although not quite as strong as the $9.4bn seen last January. While net inflows into fixed income ETFs are unlikely to continue at January’s pace going forward, 2024 is likely to be a strong year for fixed income ETFs now that rates have peaked in most developed markets and with record levels of cash waiting to be put to work.

“EUR investment grade credit ($2.9bn) was the strongest category for inflows in January. High yield ($1.3bn) also experienced high demand, with inflows going almost entirely into EUR-denominated ETFs. Cash Management ($1.0bn), US Treasuries ($0.9bn), Inflation ($0.7bn) and Aggregate bond ETFs ($0.5bn) also saw high levels of net inflows. Flows into Fixed Term ETFs ($0.4bn) remained strong, taking AUM for this relatively new category above $2.5bn. In a month of high demand for fixed income across the board, no single category saw net outflows above $100m.

“As appeared likely, following the rally into year-end, fixed income markets stalled in January. Although demand remained high, the combination of less dovish central banks and high supply put upward pressure on yields. However, the backdrop for fixed income remains supportive with interest rates likely to start coming down in the middle of the year. It therefore seems likely that investors will see pull backs as opportunities to put cash to work in bond markets, and increasing duration to lock in yields before central banks start easing policy.”

Top and Bottom Fixed Income ETF Categories in January 2024



Source: Bloomberg, Invesco, as at 31 Jan 2024

Ends

For further information, please contact:

Invesco

Jane Drew

jane.drew@invesco.com

Telephone +44 20 3370 1104

Lansons

Anthony Cornwell / Tom Straker

anthonyc@lansons.com / toms@lansons.com

Telephone +44 207 294 3606 / +44 20 7566 9705

About Invesco Ltd.
About Invesco Ltd. Invesco is a global independent investment management firm dedicated to delivering an investment experience that helps people get more out of life. Our distinctive investment teams deliver a comprehensive range of active, passive and alternative investment capabilities. For more information, visit www.invesco.com.

Investment Risks

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested.

Important information

This document is marketing material and not financial advice. It is not intended as a recommendation to buy or sell any particular asset class, security, or strategy. Regulatory requirements that require impartiality of investment/investment strategy recommendations are therefore not applicable nor are any prohibitions to trade before publication.

Data source Invesco/Bloomberg as at 31 January 2024 unless otherwise stated.

Views and opinions are based on current market conditions and are subject to change.