Press Release
For immediate release
This press release is for trade press only

Fixed income ETFs maintain robust inflows in anticipation of rate cuts

London, 11 September 2024 -

- Fixed income markets continued to perform well in August as data indicated further cooling of the economy
- Fed Chairman Powell largely confirmed that US rates would be cut in mid-September
- As rates are cut and yield curves steepen, investors are likely to favour longer maturities and increasing interest rate risk.

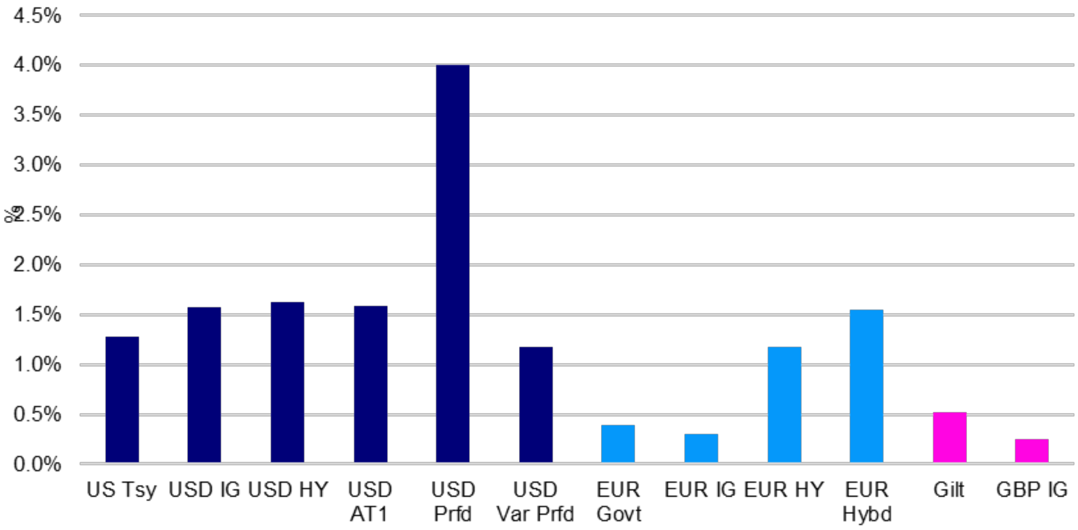
Paul Syms, Head of EMEA ETF Fixed Income and Commodity Product Management at Invesco, comments:

"August was another positive month for bond markets. The US employment report released at the start of the month provided further evidence that the labour market is weakening with both the headline Non-Farm Payrolls and wage growth data undershooting market expectations, while the unemployment rate ticked up to 4.3%. This drove US Treasury yields lower, with the move being exacerbated by a sharp unwind of Yen carry trades following a hawkish rate decision by the Bank of Japan causing the Japanese currency to strengthen.

"Later in August, Fed Chairman Powell's remarks at the Jackson Hole Symposium that "the time has come for policy to adjust" signalled that the question for the September Federal Reserve meeting is no longer whether rates will be cut but instead by how much.

"Meanwhile, both the European Central Bank and the Bank of England have already started to ease policy and are likely to cut rates further in coming months. Monetary policy easing should drive yields on government bonds lower, provided central banks manage to create a 'soft landing', and should also provide a very supportive environment for credit markets too."

Asset class returns – August 2024



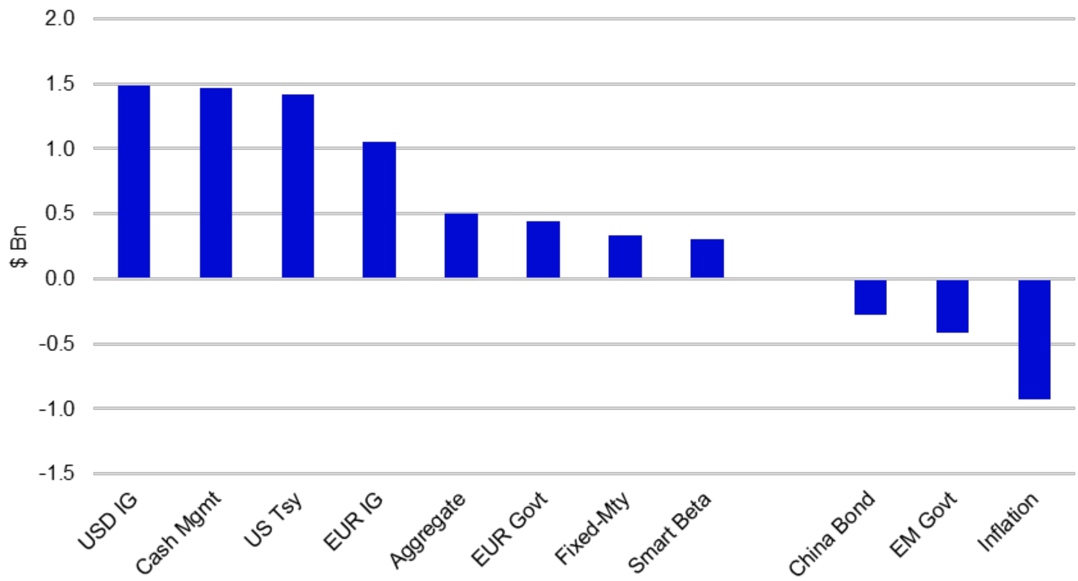
Source: Bloomberg, Invesco as of 30 Aug 2024

Fixed Income ETF flows

“Although flows into fixed income ETFs slowed in August to $5.6bn, this still represents a robust pace given the holiday season, and took the year-to-date total above $44bn. Although 'safe-haven' asset classes remained in demand, there was a notable increase in flows into investment-grade credit ETFs. This followed a sharp widening of credit spreads caused by risk-off sentiment, which was triggered by weaker economic data and the disorderly unwinding of the Yen carry trade.

“US Dollar denominated investment grade credit was the strongest category for inflows in August, taking in $1.5bn, while EUR credit NNA topped $1bn for the month. Cash Management ($1.5bn), US Treasuries ($1.1bn), and EUR Govts ($0.5bn) complete the top five themes seeing inflows. Inflation (-$0.9bn), EM government bonds (-$0.4bn) and China Bond ETFs (-$0.3bn) were the categories that saw the highest net outflows.”

Top Fixed Income ETF Categories in August 2024



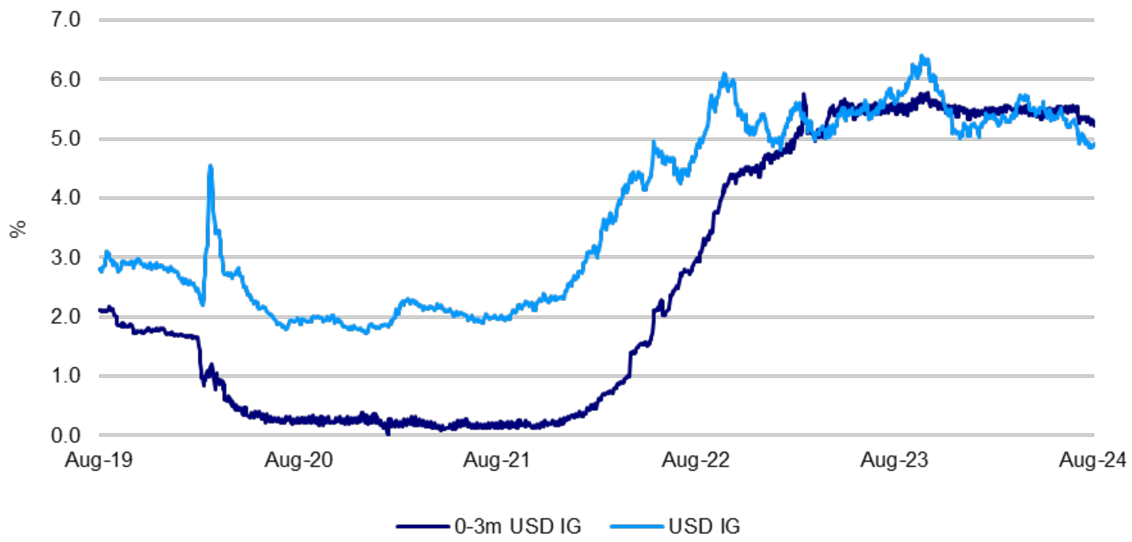
Source: Bloomberg, Invesco, as of 30 Aug 2024

Positioning

“Cash management ETFs have seen the strongest inflows so far this year with relatively flat credit yield curves meaning that, from a yield perspective, there has been little reason to take on additional interest rate risk in credit allocations.

“Meanwhile, government bond yield curves have been inverted, meaning investors in longer maturities are having to give up some yield if they want to increase duration risk. However, as rates are cut, yield curves are likely to steepen making yields on longer maturities more attractive relative to short maturities. Along with interest rate risk being more attractive at this stage of the cycle, this should see investors switching longer in their fixed income allocations.”

Yields on Short-term and Broad USD Investment Grade Credit Indices



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 August 2024 unless otherwise stated.

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

This document is issued in:

The UK by Invesco Asset Management Limited, Perpetual Park Drive, Henley-on-Thames, Oxfordshire, RG9 1HH. Authorised and regulated by the Financial Conduct Authority.

Austria and Germany by Invesco Asset Management Deutschland GmbH, An der Welle 5, 60322 Frankfurt am Main, Germany. Belgium, France, Finland, Greece, Luxembourg, Norway, Portugal, Italy, the Netherlands, Spain, Sweden and Denmark, by Invesco Management S.A., President Building, 37A Avenue JF Kennedy, L-1855 Luxembourg, regulated by the Commission de Surveillance du Secteur Financier, Luxembourg

Switzerland by Invesco Asset Management (Schweiz) AG, Talacker 34, 8001 Zurich, Switzerland.

Dubai by Invesco Asset Management Limited, Index Tower Level 6 - Unit 616, P.O. Box 506599, Al Mustaqbal Street, DIFC, Dubai, United Arab Emirates. Regulated by the Dubai Financial Services Authority.