Press Release
For immediate release

Fixed income ETFs see highest ever monthly inflows

London, 12 August 2024
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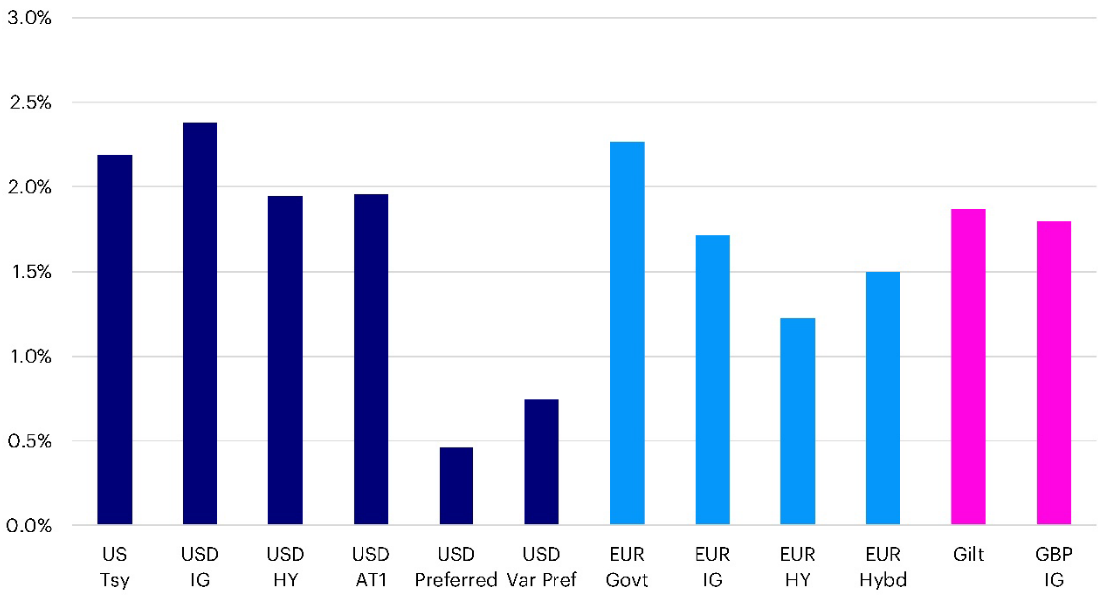
- EMEA fixed income ETFs attracted $10.7 billion net new assets in July, the strongest month on record, taking year-to-date total to $38.9 billion
- ‘Safe haven’ asset classes of cash and government bonds see highest inflows
- Fixed income outlook remains positive with rate cuts on the horizon

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

“Fixed income markets performed well in July as yields rallied in response to weaker economic data which brought forward expectations of rate cuts. In particular, data from the US indicated that the economy is slowing which, along with inflation data undershooting market expectations, culminated in a more dovish tone from the Federal Reserve at the end of the month.”

Asset class returns – July 2024



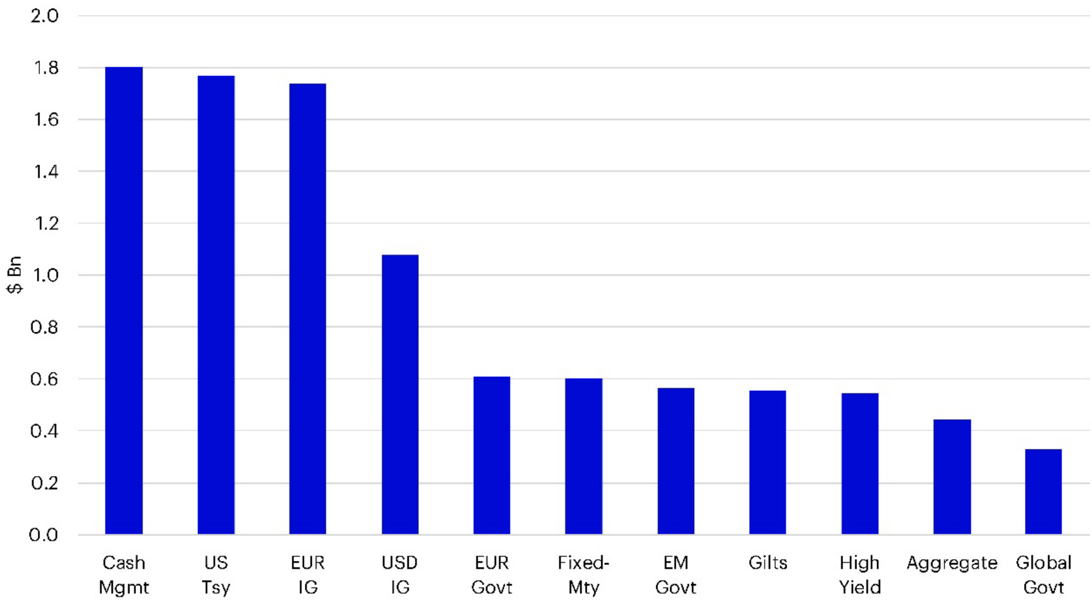
Source: Bloomberg, Invesco as at 31 Jul 2024

Fixed Income ETF flows

“With $10.7bn NNA, July was the strongest month on record for net inflows into EMEA-domiciled ETFs and takes the year-to-date total to $38.9bn. While the perceived ‘safe haven’ asset classes of cash management and government bonds remained in favour with investors, demand was strong across the board with inflows seen in both investment grade and high yield credit ETFs, along with emerging market government debt.

“Cash management ($1.8bn) was the strongest category for net inflows in July for the second consecutive month, closely followed by US Treasuries ($1.8bn), most of which went into ETFs focused on sub-1-year maturities. EUR and USD investment grade credit ETFs took in $1.7bn and $1.1bn respectively, with EUR Govts ($0.6bn) completing the top five. Categories experiencing outflows were limited with only ETFs focused on Development Bank bonds (-$0.3bn) seeing material selling.”

Top Fixed Income ETF Categories in July 2024



Source: Bloomberg, Invesco, as at 31 Jul 2024

Positioning

“With cash management ETFs having experienced the strongest net inflows in the fixed income space so far this year, increasing certainty over the economic outlook and the likelihood of rate cuts should drive investors further out the curve to lock in current yield levels that are available and to benefit from higher interest rate risk if yields rally further.

“Credit spreads, however, remain tight which means interest rate risk continues to appear favourable to credit risk at current levels. For investors looking to move out the curve, there will be a more nuanced decision on which maturities are likely to perform best going forward.

“Yield curves have been steepening (disinverting) over the last year having been deeply inverted in the middle of 2023. As rate cuts get closer, this is likely to continue and, with inflation still above central bank targets, could see curves steepen more aggressively in coming months.”

ENDS

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

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