Press Release
For immediate release

Fixed income ETFs bounce back in April, attracting $5.7bn net new assets

London, 13 May 2024 -

- Fixed income ETFs attracted $5.7bn net new assets (NNA) in April, taking the year-to-date total to $17.9bn.
- Fixed income markets performed poorly in April as rate cut expectations were pushed back once more, yet inflows into fixed income ETFs picked up with "safe-haven" asset classes being the main beneficiaries
- With rate cuts being pushed back, 10-year government bond yields are currently close to the highest levels for six months which may provide an opportunity for investors to increase interest rate risk in their portfolios

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

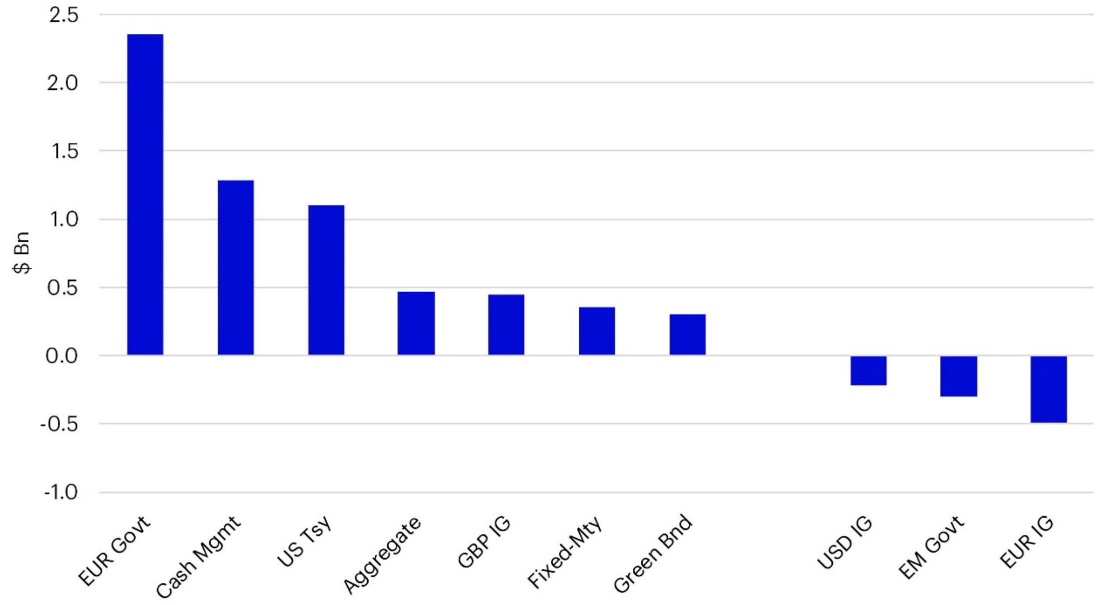
"Following the bounce in March, fixed income markets performed poorly in April as rate cut expectations were pushed back once more. Early in the month, stronger than expected US economic data kept upward pressure on US Treasury yields with inflation data in the middle of the month driving yields higher still. Fed Chairman Powell also indicated that rates may need to stay higher for longer given the lack of additional progress on bringing inflation back to target in recent months, which pushed expectations for the first rate cut to the fourth quarter. UK inflation also proved to be stickier than anticipated which backed up the bearish sentiment towards bonds. Over the month, the stronger data and less dovish tone from the Fed supported the US Dollar which strengthened while the Japanese Yen weakened above 160 vs the US Dollar for the first time since 1990."

Safe-haven asset classes accounted for fixed income ETF inflows picking up

"Inflows into fixed income ETFs picked up in April, with NNA of $5.7bn taking net inflows for the year to $17.9bn. "Safe-haven" asset classes were the main beneficiaries over the month with EUR Govts ($2.4bn), Cash Management ($1.3bn) and US Treasuries ($1.1bn) the leading categories for inflows. Outflows were relatively light during April, although EUR (-$0.5bn) and USD (-$0.2bn) IG Credit ETFs made up two of the three main categories that experienced net selling, while EM Govts (-$0.3bn) remained out of favour.

"Following the March rally, fixed income markets sold off once more in April. Having started the year anticipating 6-7 rate cuts from each of the Fed, ECB and BoE, markets have pushed back both the timing and the extent of rate cuts expected during 2024. For the Fed, markets now only expect the first cut in November and are only 50:50 for a second cut to come in December. For the Bank of England, the first cut is expected in Q3 with a further cut likely in December, while markets anticipate that the ECB will cut rates three times before year end. 10-year government bond yields are currently close to the highest levels for six months which, with little easing being discounted by the market, may provide an opportunity for investors to increase interest rate risk in their portfolios."

Top and Bottom Fixed Income ETF Categories in April 2024 – Net New Assets



Source: Bloomberg, Invesco, as at 30 April 2024

Fixed Income outlook – things to keep an eye on:

- **Ratings outlook** – particularly for high yield issuers
- **Economic data** – spreads could be vulnerable to a hard landing
- **Inflation data** – bearish bond market sentiment could turn quickly

If you would like more information on fixed income ETF flows or to speak to Paul, please email InvescoETF@lansons.com. Read the full monthly fixed income update from the Invesco EMEA ETF team – with a spotlight on individual asset classes – here.

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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

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Data source Invesco/Bloomberg as at 30 Apr 2024 unless otherwise stated.

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