Press Release
For immediate release

Fixed income ETFs attract over $12bn net inflows in Q1 2024

London, 8 April 2024 -

- Fixed Income ETFs attracted $1bn net new assets (NNA) in March, taking the year-to-date total for Q1 to $12.1bn.
- Returns were positive for fixed income in March after two months of subdued performance as yields on government bonds stabilised and credit spreads tightened.
- Central banks became more dovish, but as rate cuts get closer this could be supportive for fixed income markets. This dovish tone has also supported equity markets with the S&P 500 hitting a new all-time high.

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

“Fixed income returns were broadly positive in March, following two months of lacklustre performance, as yields on government bonds stabilised and credit spreads tightened. While economic data was mixed, signals from central banks were generally perceived as being dovish, indicating that some easing of monetary policy remained likely later this year.

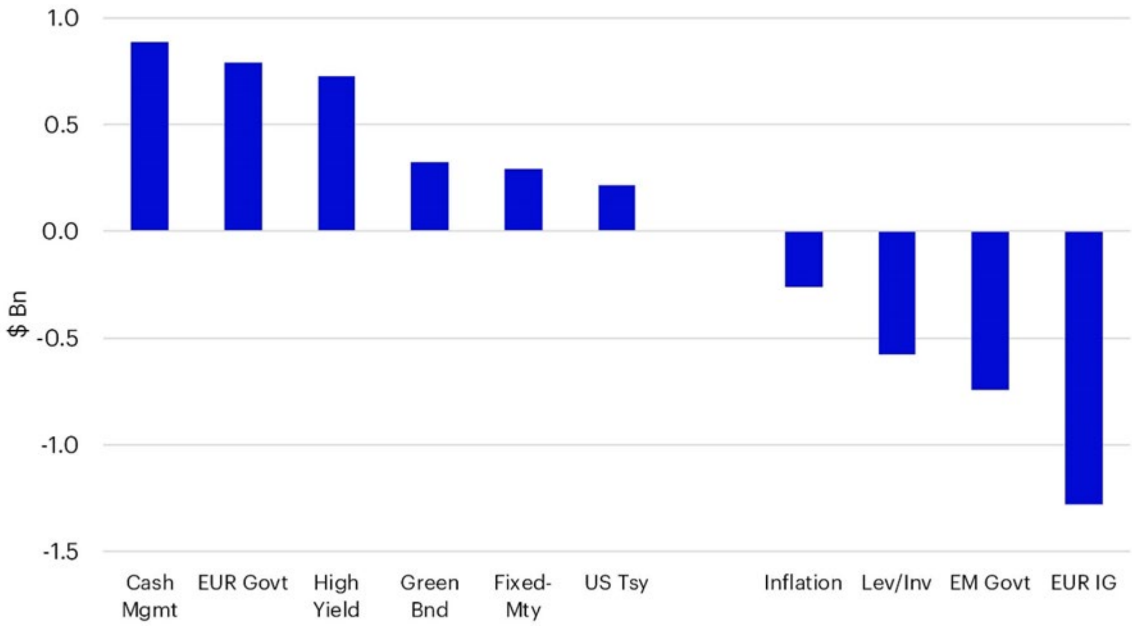
“During March, the Reserve Bank of Australia dropped its tightening bias, the two hawks on the Bank of England’s Monetary Policy Committee (who had been voting for further rate hikes) voted to leave rates unchanged, and the Swiss National Bank surprised markets by cutting rates by 25 basis points. Even the Bank of Japan, which hiked rates for the first time in 17 years, did not appear to be hawkish with little indication about future policy tightening. However, that lack of guidance about the pace of future rate hikes did cause the Yen to weaken back above 150 vs the US Dollar, which may lead to more hawkish rate guidance in the near future. This dovish tone also supported equity markets with the S&P 500 hitting a new all-time high.”

The focus on a longer-term outlook is likely to prove supportive for fixed income markets

“Inflows into Fixed income ETFs remained subdued in March with NNA of just $1.0bn, taking the total for Q1 to $12.1bn. Flows by fixed income category were mixed, making it difficult to identify a pattern or risk preference. Cash Management ($0.9bn) remained the strongest category for net inflows in March, followed by EUR Government Bonds ($0.8bn), High Yield ($0.7bn), Green Bonds ($0.3bn) and Fixed Maturity ($0.3bn). EUR IG (-$1.3bn) experienced a second consecutive month of heavy selling with EM Government Bonds (-$0.7bn), Leverage/Inverse (-$0.6bn, mainly unwinding 2y-10y steepening exposure in US Treasuries) and Inflation (-$0.3bn) also seeing outflows.

“Fixed income markets bounced in March following lacklustre performance in the first two months of the year, as bonds had rallied too hard into the end of 2023 in the hope of early rate cuts. However, with the timing of rate cuts having been pushed back, central banks appear to see market expectations broadly in line with their outlook. Having generally erred towards a more hawkish bias earlier in the year, central banks appeared to have become slightly more dovish in March. This indicates that they would look through near-term noise from economic data and focus on the longer-term outlook. This is likely to prove supportive for fixed income markets, particularly as the first-rate cuts from the major central banks gets closer.”

Top and Bottom Fixed Income ETF Categories in March 2024



Source: Bloomberg, Invesco, as at 29 March 2024

Fixed Income outlook – things to keep an eye on:

- **Central Bank commentary –** particularly on timing and the extent of rate cuts
- **Economic data** – spreads could be vulnerable to a hard landing
- **Ratings outlook** – especially on high yield issuers

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.

Ends

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Data source Invesco/Bloomberg as at 31 July 2023 unless other wise stated.

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