

ETP EMEA
FLOW
COMMENTARY

OCTOBER 2017

iShares®
by BLACKROCK®

Monthly Narrative

EMEA-listed ETP Flows

September 2017

Monthly net flow into EMEA-listed ETPs picks up to \$6.8B

- EMEA-listed ETPs gathered \$6.8B in September, up from \$4.9B in August, as investors returned to the markets after the summer holidays.
- Equities dominated with 96% of the inflows, the largest proportion of the total monthly figure since December 2016. A comparatively paltry \$0.7B flowed into fixed income ETPs, the lowest monthly amount this year. EMD was the sole pocket of strength.
- Outflows continued from EMEA-listed commodity funds for the second month in a row. This negative run follows seven straight months of inflows.

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Key themes this month:

1. **Ich bin nicht ein Berliner:** US investors cool on European equities
2. **EM-pire building:** eight straight months of inflows into EM equities
3. **US financials fly:** best month ever for US financials-sector ETPs
4. **Gold in the red:** first month of European outflows from gold this year
5. **Ex machina:** record month for robotics ETFs

1. Ich bin nicht ein Berliner

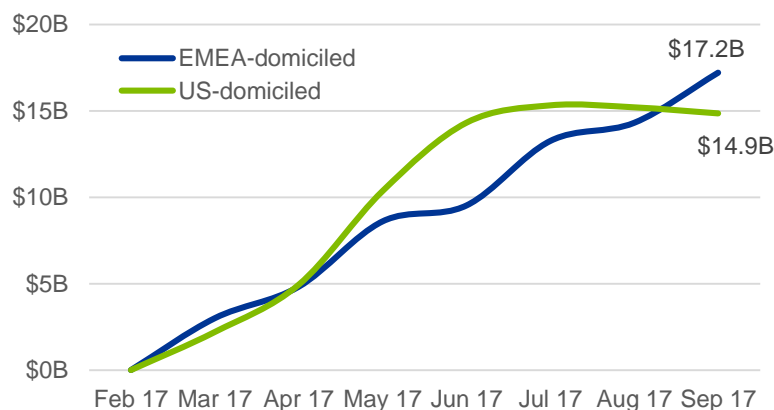
- September was another positive month for EMEA-listed European equity ETPs. They have now had 13 consecutive months of inflows – the longest run on record.
- US investor appetite for European equities appears to be cooling, however. \$0.5B has been withdrawn from US-listed European equity ETPs over the last two months.
- With the European growth outlook strengthening, it seems that currency is playing an increasing role in flows. US dollar gains in September might have encouraged US investors to return to domestic, USD-earning equities.

2. EM-pire building

- September was the eighth straight month of inflows into EMEA-listed emerging markets ETPs – the longest run since 2010 and the second-longest on record.
- \$6.6B has been added to EMEA-listed EM equity ETPs since February, while US-listed ETPs gathered \$29.2B. In both cases the majority went into broad emerging markets exposures.
- Some of the EM ETP flows could be explained by investors expanding the range of vehicles they use to access EM. EM futures contracts are running rich, so investors could be considering the ETF as a cost-effective equivalent.

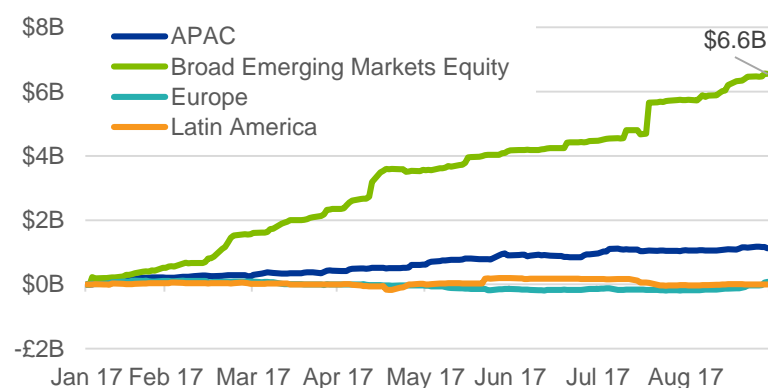
Transatlantic tail-off

Cumulative flows into European equity ETFs, March – September 2017



Broad is best

Cumulative weekly flows into EMEA-listed EM equity ETFs, broad and regional, December 2016 – September 2017



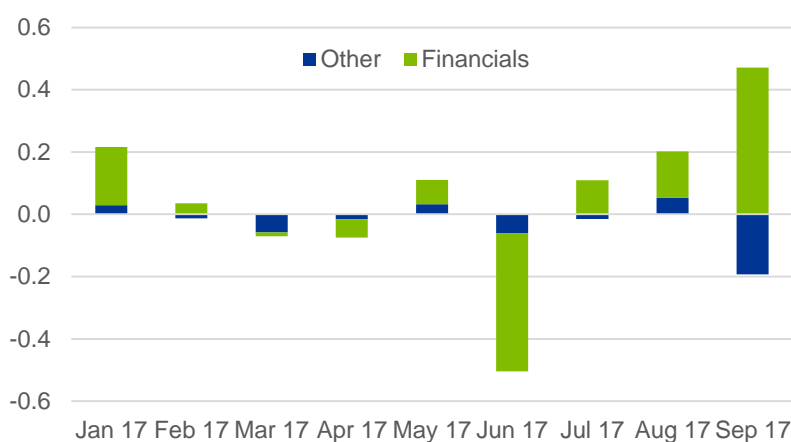
Source: Unless otherwise stated all data is sourced from the BlackRock Global ETP Landscape at 30 September 2017. This material is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation, offer or solicitation to buy or sell any financial instrument or product or to adopt any investment strategy.

3. US financials fly

- September was the biggest-ever month of inflows (+\$0.5B) into EMEA-listed US financial sector ETPs, amid speculation that an imminent US rate hike will improve bank profitability.
- The financials inflows were so high, that even though all other sectors in aggregate had outflows, the net figure was still the second-largest ever month of inflows to EMEA-listed US sector ETPs.
- These are big numbers for EMEA-listed US sector ETPs, which have a total AUM of \$6.4B. But they pale in comparison to US-listed US sector ETPs, which have a combined AUM of \$323B and where \$1.1B was added last month alone. US investors seem to be more familiar with using ETFs to express views on specific US sectors than European investors.

Sector slicing

Monthly flows (\$bn) into EMEA-listed US sector ETPs, December 2016 – September 2017

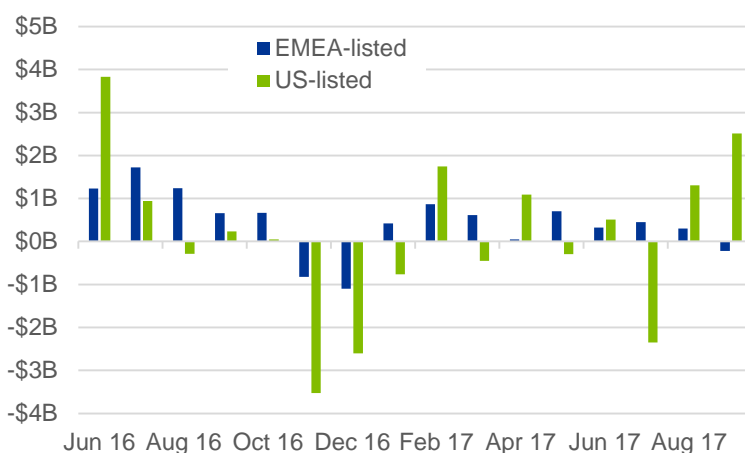


4. Gold in the red

- September was an important month for EMEA-listed gold ETPs. It was the first month of outflows since December 2016, breaking an 8-month inflow trend.
- We have previously highlighted the divergence between gold flows into EMEA- and US-listed ETPs. This month it was more pronounced than at any point this year, as US-listed gold funds enjoyed their best inflow month since June 2016. US investors have now added \$3.8B over the last two months.
- It appears that US investors have focused on protecting portfolios over the last two months. Europeans on the other hand have increased allocations to risk assets and reduced exposure to gold

All that glitters is not gold

Monthly flows into EMEA-listed and US-listed gold ETPs, June 2016 – July 2017

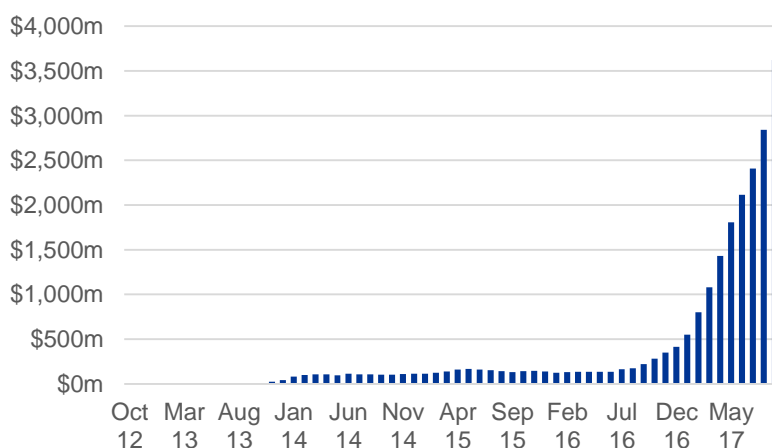


5. Ex machina

- ETFs providing exposure to global companies that could benefit from the increasing use of robotics experienced their biggest month of inflows over September, adding \$780m.
- At the start of 2017, the four global ETPs in existence had a total AUM of \$415m. Today their combined AUM stands at \$3.6B – an 18x increase.
- If we include mutual funds, the combined universe of 16 funds currently has an AUM of \$14.7B, up from less than \$300m in 2015. The combined AUM now sits at \$0.5B, more than the GDP of Jamaica.

Rise of the machines

Monthly flows into globally-listed Robotics ETPs, October 2012 – September 2017



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