

VIDEO

September 29, 2017

Focus on Funds: Exchange-Traded Funds on Pace to Draw Record Investment

Focus on Funds

Exchange-Traded Funds on Pace to Draw Record Investment

Investors are increasingly incorporating exchange-traded funds (ETFs) into their portfolios, as the numbers for 2017 show. In the September 29, 2017, edition of Focus on Funds, ICI Senior Economist Shelly Antoniewicz discusses ETF trends.

Transcript

Stephanie Ortbals-Tibbs, ICI director, media relations: What are the latest investment trends affecting ETFs? Exchange-traded funds are a fast-growing part of the fund investment industry. ICI Senior Economist Shelly Antoniewicz took a look at the data, and shared some key takeaways about where investment money is flowing.

Shelly Antoniewicz, ICI senior economist: We're on pace for another banner year in ETFs. Right now, year-to-date, we have about \$300 billion in net share issuance in ETFs. That already exceeds the total for 2016. We're heading into the fourth quarter, and the fourth quarter is usually a very strong quarter for net share issuance in ETFs, so I'm really anticipating that we're going to have another record year.

Ortbals-Tibbs: And so then let's take a look at the categories. Where is all of that money flowing?

Antoniewicz: It's pretty broad-based across our main categories, which would be domestic equity, international equity, and bonds, so we can talk about each one of those individually.

In the international equity space, what we saw this year was a resurgence in demand for international equity ETFs. Last year was pretty low; this year we've seen it return, and there has been much more demand. Now, I guess that's not too surprising—it's probably in response to the very strong stock price increases that we've seen in the international equity markets, and that is probably related to the improved outlook for economic activity worldwide.

Ortbals-Tibbs: Let's also talk domestic, then. What do you see on that front, with domestic equity?

Antoniewicz: Domestic equity is having another strong year this year. One category that has been growing exceptionally has been large cap. Again, probably not too surprising because large-cap stocks—their stock-price gains have been outpacing small caps so far this year.

Ortbals-Tibbs: People are always interested in what's going on with bonds.

Antoniewicz: Yes, bond ETFs, again—another strong year. They're on pace for a record year, as well. Each year they've been increasing in demand.

One thing that I think has helped bolster that demand in bond ETFs this year has been there's been continued returns to bonds for investors, and things that might normally rattle the bond market haven't materialized this year. The Federal Reserve has indicated that they are going to continue to have [their] policy be a slow, gradual, process where they're reducing the accommodation, and they've said that they're going to well-telegraph that to the market in advance. Inflation—which is another issue that could spook bond investors—that outlook has been very subdued.

Ortbals-Tibbs: So, no one particular spike—really strong across the board?

Antoniewicz: Yes, all three categories are very strong. We've seen investor interest in international equity first, domestic equity is second, and bond ETFs. But none has so far outpaced the other.

Additional Resources

- ICI Statistics: [Monthly Exchange-Traded Fund Assets](#) and [Weekly Estimated Flow Report](#)
- [ICI Resources on Exchange-Traded Funds](#)
- [ETF Basics and Structure: FAQs](#)