

VIDEO

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Focus on Funds: First-Quarter Bond Fund Flows in the United States and Europe

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Which types of funds are drawing investment in U.S. and European bond funds? ICI Senior Economist Chris Plantier offers a comparative analysis of the two markets in the April 29, 2016, edition of *Focus on Funds*.

Transcript

Stephanie Ortbals-Tibbs, ICI Director, Media Relations: What's the direction of the world's two largest bond fund markets, the United States and Europe? ICI Senior Economist Chris Plantier offers data and insight.

Chris Plantier, ICI Senior Economist: At the end of last year when the Fed raised interest rates, a lot of analysts were projecting outflows from U.S. bond funds. But interestingly, the IMF and others have pointed out that negative interest rates in Europe might also be bad for bond funds.

So we took a look at the data, just to see what U.S. bond funds are doing versus European bond funds. And what we saw is that, while bond mutual funds in the U.S. did have small outflows in the first three months of 2016, when you look at bond mutual funds and ETFs combined in the U.S., you actually see about \$30 billion of inflows. That says that ETFs are getting a fairly substantial inflow. By contrast, what we see in Europe—so, if we look at all bond funds domiciled in Europe—we actually see about \$20 billion in outflows. So, it does appear that negative interest rates [in Europe] are actually worse than gradually rising interest rates in the U.S.

Ortbals-Tibbs: Chris, what do you see when you look at the investment categories of high-yield bond funds and emerging-market bond funds?

Plantier: We also noticed that, while there have been outflows in January and February in emerging market [EM] bonds funds and high-yield bond funds, we saw a turnaround in

March. So, flows were actually positive, both in U.S.-domiciled and European-domiciled EM and high-yield bond funds, and the outflows were pretty moderate in the first quarter.

Ortbals-Tibbs: So when you step back and look at the whole picture, what strikes you?

Plantier: I think what's interesting is that we're seeing positive inflows to U.S. corporate bond funds, and we're actually seeing outflows from international bond funds—so if there is a pull-back at all, it seems to be that U.S. investors may be pulling back from international bond markets.

Additional Resources

- [ICI Unveils Weekly Report on ETF Net Issuance](#)
- [Focus on Funds: Bond Funds in the United States and Europe](#)
- [ICI Viewpoints: High-Yield Bond Mutual Fund Flows: An Update](#)

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