

VIDEO

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Focus on Funds: During Turbulent First Half of 2020, Exchange-Traded Funds Grow Fast

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Amid some extraordinary times in the global financial markets, exchange-traded funds have drawn substantial investment flows. In the July 10, 2020, edition of *Focus on Funds*, ICI Senior Director of Industry and Financial Analysis Shelly Antoniewicz describes the major trendlines.

Transcript

Stephanie Ortvals-Tibbs, ICI director of media relations: Shelly, it has been such an extraordinary first half of the year in the financial markets. Can you help walk us through what we see in the trend lines for ETFs in the first six months of the year against that backdrop?

Shelly Antoniewicz, ICI senior director of industry and financial analysis: Yeah, first, let's start with US equity ETFs. They primarily invest in US stocks, and we've seen a tremendous amount of demand for domestic equity ETFs—just under \$100 billion through nearly the end of June this year.

The contrast compared to 2019 is remarkable. At this point in 2019, we only had \$30 billion in net issuance of domestic equity ETFs. I think what's even more surprising is that the bulk of these inflows this year to domestic equity ETFs have come in since February.

Ortvals-Tibbs: So when we then broaden our lens out beyond the US market to world equity ETFs, what do you see there?

Shelly Antoniewicz: Well there, it's a little bit [of a] different picture. We're seeing a bit weaker demand so far this year compared to this point in 2019.

Ortvals-Tibbs: And everybody wants to know what's going on with bond ETFs.

Shelly Antoniewicz: Well, overall, demand for bond ETFs has been very strong. We're running at just around a \$90 billion pace in the first six months. And most of that—about half of those inflows—are coming from strength in demand for investment-grade bond ETFs.

Ortbals-Tibbs: So, Shelly, when you look at the bond ETF market story, the other thing you see here is that there's a change between the very beginning of the year and a bit later into the first six months.

Shelly Antoniewicz: Certainly. In March, bond ETFs—like many other bond funds—had outflows. They were fairly mild—about 2 percent of their assets. And the reason for these outflows is that investors, with all of the uncertainty from the coronavirus on the macro economy, and governments essentially shutting down the economies, wanted to have much larger cash positions.

When there were announcements of a broad range of federal programs, investors felt much more comfortable coming back in and investing in longer-dated debt securities again. And when that happened, we saw demand for bond ETFs essentially resume back to their more normal pace.

Additional Resources

- [*ICI Viewpoints: "ETFs Are Passing the COVID-19 Test"*](#)
- [ICI Statistics](#)
- [Exchange-Traded Funds Resource Center](#)