



UBS ETF Capital Markets
Weekly Flow Update
(18th of September – 22nd of September)

Market Commentary

MSCI World in USD ended the week down 2.73% with the index being driven downwards by Consumer Discretionary (-5.22%), Real Estate (-4.99%) and Materials (-3.08%) offset by relative strength in Consumer Staples (-1.55%).

The week was dominated by central bank announcements by the Fed, BoE, SNB and the BoJ with some surprises from the BoE and the SNB.

On Wednesday the Fed voted unanimously to keep monetary policy unchanged and to continue to significantly reduce its securities holdings. This was the second time the Fed paused since starting its 525bps rate hike cycle which it began in March 2022. The federal funds rate target range remains 5.25%-5.5%. Powell noted that the FOMC would like to see how the changes in the inflation, labour, and growth data progress at each meeting since “the full effects of tightening have yet to be felt.” The Committee’s Summary of Economic Projections showed 12 of the 19 committee members forecast the potential for one more rate hike by the end of 2023, taking the federal funds rate to 5.6%. While rate cuts are still expected in 2024 and 2025, the assumptions have been reduced to 50bps of cuts in 2024 (from 100bps previously), and 100bps of cuts in 2025 (from 120bps in June). This brings the projected median of the federal funds rate to 5.1% in 2024 (from 4.6% in June) and 3.9% in 2025 (from 3.4% in June). Nonetheless, the Committee’s project inflation to reach their 2% goal by 2026 yet unexpectedly robust consumer spending led them to improve their GDP growth forecasts to 2.1% for 2023 and 1.5% for 2024 (from 1.0% and 1.1%, respectively). The market reaction was negative to this hawkish hold with the S&P 500 down 94bps by the close. The higher for longer message was negatively received given the change in the dot plot.

On Thursday the BoE decided to keep interest rates on hold at 5.25% in its September meeting but continued to push a hawkish message. This move came as a surprise as market expectations were for a 25bps hike. It was only a modest shock, however, as it became clear the decision was finely balanced following the most recent inflation print. The Monetary Policy Committee’s vote was split 5-4 in favour of a pause over a hike. On Tuesday UK CPI slowed to an annual 6.7% in August, down from 6.8% in the prior month and below a consensus forecast for 7%. On a monthly basis UK CPI rose by 0.3%, also below the 0.7% expected by economists polled by Reuters. Core inflation, excluding volatile food, energy, alcohol, and tobacco prices, also declined, falling to 6.2% yoy from 6.9% in July. It is probable the BoE has reached the peak of monetary tightening but there were hawkish overtones in the press commentary which made it clear that any “evidence of more persistent inflationary pressures” would result in further rate hikes.

Preceding the BoE hold on Thursday, the SNB surprised with a pause on rates at 1.75%, against consensus forecasts for a 25bps hike. Like the Fed, the SNB remains focused on inflation and has not ruled out further interest rate hikes and foreign exchange sales in the coming quarters. It thus

leaves the door open to further tightening in December. The conditional inflation forecast shows inflation of slightly above 2% for 2024, but slightly below 2% for 2025 and 2026. This indicates that no further tightening of monetary policy would be necessary to maintain price stability in the medium term. The surprise hold sent the CHF down around 0.8% against both the USD and the EUR. It does seem that growth concerns are starting to trump worries over inflation especially as central banks look to the cumulative effect of previous interest rate hikes.

Finally on Friday the BoJ kept its negative interest rate and the parameters of its yield curve control program intact on Friday in an outcome predicted by all 46 economists surveyed by Bloomberg. It also maintained a pledge to add to its stimulus without hesitation if needed, a supportive statement for JPY bears. This ultra easing stance was in stark contrast to Japanese inflation numbers released on the same day which showed core inflation unchanged at 3.1% yoy in August. This should keep the prospect of further monetary policy normalization alive and help cap downside pressure on the yen.

Next week is certainly calmer with respect to central bank announcements. The Germany IFO survey is published on Monday; US New home sales for August on Tuesday - BBG Cons: 700k; US GDP annualized QoQ for Q2 2023 on Thursday - BBG Cons: 2.3% and finally China PMI and Eurozone CPI on Friday.

- Monday: Germany IFO business climate, Kenya GDP, Singapore CPI and Vietnam industrial production, CPI, GDP, trade.
- Tuesday: Hong Kong trade, Mexico international reserves, Nigeria rate decision, Singapore industrial production and US new home sales, Conference Board consumer confidence.
- Wednesday: China industrial profits, Mexico trade, Russia unemployment, industrial production, Sri Lanka CPI, Thailand rate decision and US durable goods.
- Thursday: China industrial profits, Mexico trade, Russia unemployment, industrial production, Sri Lanka CPI, Thailand rate decision and US durable goods.
- Friday: Brazil unemployment, Chile industrial production, unemployment, China Caixin manufacturing PMI, Caixin services PMI, Colombia unemployment, rate decision, Czech Republic GDP, Eurozone CPI, France CPI, Germany unemployment, Hong Kong retail sales, Italy CPI, Japan unemployment, Tokyo CPI, industrial production, retail sales, Poland CPI, South Africa trade balance, Thailand trade, UK GDP and US consumer spending, wholesale inventories, University of Michigan consumer sentiment.

UBS ETF - Top 5 Net Inflows	USD
Global Equities Sustainable	219,957,769
Fixed Income Japan (hedged)	59,147,463
US Inflation-linked	23,521,668
Swiss Equities	20,235,599
Commodity (hedged)	17,752,205
UBS ETF - Top 5 Net Outflows	USD
Japanese Equities	-442,321,789
US Equities Sustainable (hedged)	-39,032,337
US Equities SmartBeta (hedged) Quality	-38,168,998
Global Equities Sustainable (hedged)	-22,464,424
Sustainable Development Bank Bonds	-18,526,500
UBS ETF - Top 5 Primary Market Creations	USD
UBS (Lux) Fund Solutions – Bloomberg Japan Treasury 1-3 Year Bond UCITS ETF (hedged to EUR) A-acc	59,147,463
UBS (Irl) ETF plc – MSCI ACWI ESG Universal Low Carbon Select UCITS ETF (USD) A-dis	46,424,960
UBS (Irl) ETF plc – MSCI ACWI ESG Universal Low Carbon Select UCITS ETF (USD) A-dis	45,182,474
UBS (Irl) ETF plc – MSCI ACWI Socially Responsible UCITS ETF (USD) A-acc	43,840,250
UBS (Irl) ETF plc – MSCI ACWI ESG Universal Low Carbon Select UCITS ETF (USD) A-dis	40,505,908
UBS ETF - Top 5 Primary Market Redemptions	USD
UBS (Lux) Fund Solutions – MSCI Japan UCITS ETF (JPY) A-acc	-259,544,538
UBS (Lux) Fund Solutions – MSCI Japan UCITS ETF (JPY) A-acc	-146,953,560
UBS (Irl) ETF plc – S&P 500 ESG UCITS ETF (USD) A-acc	-39,980,934
UBS (Irl) ETF plc – S&P 500 ESG UCITS ETF (hedged to EUR) A-acc	-32,511,570
UBS (Irl) ETF plc – Factor MSCI USA Quality ESG UCITS ETF (hedged to GBP) A-dis	-22,695,331

UBS ETF - Top 10 Secondary Market Trades	USD
UBS (Irl) ETF plc – S&P 500 ESG UCITS ETF (USD) A-acc <i>Risk - Tradeweb</i>	-41,850,000
UBS (Irl) ETF plc – S&P 500 ESG UCITS ETF (hedged to EUR) A-acc <i>NAV - Systematic Internaliser</i>	-30,120,000
UBS (Irl) ETF plc – MSCI ACWI ESG Universal Low Carbon Select UCITS ETF (USD) A-dis <i>Risk - Tradeweb</i>	28,970,000
UBS (Irl) ETF plc – S&P 500 ESG UCITS ETF (USD) A-acc <i>Risk - Bloomberg RFQE</i>	28,970,000
UBS (Lux) Fund Solutions – Sustainable Development Bank Bonds UCITS ETF (USD) A-dis <i>Risk - Systematic Internaliser</i>	-26,100,000
UBS (Lux) Fund Solutions – Bloomberg TIPS 1-10 UCITS ETF (USD) A-dis <i>Risk - Systematic Internaliser</i>	23,270,000
UBS (Irl) ETF plc – Factor MSCI USA Quality ESG UCITS ETF (USD) A-dis <i>Risk - Bloomberg RFQE</i>	21,490,000
UBS (Irl) ETF plc – Factor MSCI USA Quality ESG UCITS ETF (hedged to GBP) A-dis <i>Risk - Bloomberg RFQE</i>	-21,410,000
UBS (Irl) ETF plc – MSCI ACWI ESG Universal Low Carbon Select UCITS ETF (USD) A-dis <i>Risk - Bloomberg RFQE</i>	21,120,000
UBS (Irl) Fund Solutions plc – MSCI ACWI SF UCITS ETF (hedged to USD) A-acc <i>Risk - Tradeweb</i>	19,020,000

UBS ETF Capital Markets

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