



UBS ETF Capital Markets
Weekly Flow Update
(27th of May – 31st of May)

Market Commentary

MSCI World in USD ended the week down 0.46% with the index being driven downwards by Information Technology (-1.80%) and Industrials (-0.79%) offset by strength in Energy (1.69%).

It was a certainly busy week for macroeconomic news. Released on Thursday, US Real GDP growth, in 1Q24 was revised down to 1.3% q/q (annualized), down from a preliminary estimate of 1.6% q/q and initial market expectations (back in April) of 2.5% q/q. Similarly, private consumption was revised to 2.0% q/q (annualized), from 2.5% q/q in the preliminary report—a notable deceleration relative to its 3.2% q/q average performance in the second half of 2023. On the same note, pending home sales data showed a decline of 7.7% m/m (seasonally adjusted), marking its worst monthly print since early 2021. Overall, US data is clearly suggestive of a gradual deceleration in the pace of economic activity, which coupled with a more balanced labour market and tight financial conditions, should contribute to the disinflation process over the coming months.

On Friday the NBS manufacturing PMI for China came in weaker-than-expected at 49.5, back into contraction territory after two months of expansion. Both supply and demand-side subindexes showed moderation, with softer trade momentum and insufficient domestic demand. Production fell the most by 2.1 points to 50.8, while new orders decreased by 1.5 points to 49.6, as export orders dipped into contraction (48.3) after two months' expansion; while import orders weakened further to 46.8 from 48.1 previously. That said, the employment subindex held steady at around 48. The non-manufacturing PMI held largely steady in May, inching down to 51.1 from 51.2 in April, albeit falling short of consensus expectations of 51.5. The broad moderation of economic momentum indicated by the lower PMIs points to softer sequential momentum in the second quarter of this year after a stronger-than-expected first quarter. This highlights the importance of continued policy support. Indeed, policy momentum has intensified recently, particularly in the form of coordinated property easing measures and an acceleration in government bond issuance.

On a busy Friday, inflation in the Eurozone increased to 2.6% y/y in May, from 2.4% in April. Notably, inflation in the services sector rose to a 7-month high. The inflation print for May showed an uptick in services inflation and the fading of the past weakness in energy prices more than offsetting the waning pricing power among retailers of food and goods. This month's increase in inflation was not wholly surprising, in large part due to "base effects" in the transport and energy sectors. What did surprise, however, was the strength of the increase. Overall services inflation rose from 3.7% to 4.1% y/y, reaching its highest level since October of last year. This move also pulled core inflation higher, which rose from 2.7% to 2.9% y/y, despite the continued disinflation in the goods sector. This suggests that underlying inflation momentum could still be quite firm, as firms adjust to higher input costs in the form of rising wage bills. Despite this, markets continue to expect the ECB to embark on its cutting cycle at the upcoming policy meeting in June. Momentum for this

move has been gathering among members of the ECB's Governing Council in recent weeks and months, to the point that it has been expressed as a near certainty.

Finally, the core PCE price index (also released on Friday), a key inflation metric for the Fed, rose 0.25% m/m in April, close to consensus forecasts. In y/y terms, core PCE inflation slowed to 2.75%, the lowest since March 2021. However, the 3-month-over-3-month annualized run rate rose to 3.83%, the highest since May 2023. This data may not be good enough to give the Fed the confidence it needs on the inflation outlook. However, markets expect better news in the months ahead, allowing the Fed to start cutting rates in September. Personal spending and disposable income were weak, falling slightly m/m after adjusting for inflation. The savings rate held steady at 3.6%, around half its pre pandemic level. With the savings rate already so low, spending is unlikely to grow faster than income. The result should be relatively modest growth in consumption that helps to reduce inflationary pressure over time.

Next week will be busy on the macro front. US ISM Manufacturing for May on Monday, Indian General Election on Tuesday, ECB policy decision on Thursday and US NFPs on Friday.

- Monday: China Caixin manufacturing PMI; Eurozone S&P Global Manufacturing PMI; France S&P Global Manufacturing PMI; Germany S&P Global / BME Manufacturing PMI; India S&P Global Manufacturing PMI; Indonesia CPI; Japan capital spending; Pakistan trade, CPI; UK S&P Global / CIPS Manufacturing PMI and US construction spending, ISM Manufacturing, light vehicle sales.
- Tuesday: Australia current account; Brazil GDP; Germany unemployment; Hungary GDP; Mexico international reserves; South Africa GDP; South Korea CPI; Spain unemployment and US factory orders, JOLTS.
- Wednesday: Argentina industrial production; Australia GDP; Brazil industrial production; Canada rate decision; China Caixin services PMI; Eurozone S&P Global Services PMI, PPI; France industrial production; Philippines CPI; Poland rate decision; Russia unemployment; Singapore retail sales; South Korea GDP; Thailand CPI and US ISM services.
- Thursday: Australia trade balance; Brazil trade; Eurozone retail sales, ECB rate decision; Germany factory orders; South Africa current account; Spain industrial production; Taiwan CPI and US initial jobless claims, trade.
- Friday: Bulgaria GDP; Canada unemployment; Chile copper exports, trade, CPI; China trade, forex reserves; Eurozone GDP; France trade; Germany industrial production; Greece GDP; India rate decision; Japan household spending; Mexico CPI; Russia rate decision; Taiwan trade and US unemployment rate, nonfarm payrolls, wholesale inventories.

UBS ETF - Top 5 Net Inflows	USD
Commodity	225,274,037
APAC Equity	67,150,004
Global Corporate Bonds	23,603,600
Global Equity	16,967,035
Swiss Real Estate	5,635,941
UBS ETF - Top 4 Net Outflows	USD
EMEA Equity	-416,094,667
EM Equity	-35,121,454
Global Govies	-30,094,290
US Inflation-Linked	-22,221,510
North American Equity	-11,639,934
UBS ETF - Top 5 Primary Market Creations	USD
UBS (Lux) Fund Solutions – MSCI Canada UCITS ETF (CAD) A-dis	114,404,386
UBS ETF (CH) – Gold (USD) A-dis	97,256,067
UBS (Lux) Fund Solutions – MSCI Japan UCITS ETF (hedged to GBP) A-dis	61,366,283
UBS (Lux) Fund Solutions – MSCI EMU Small Cap UCITS ETF (EUR) A-dis	49,843,436
UBS (Lux) Fund Solutions – MSCI United Kingdom UCITS ETF (GBP) A-acc	48,424,681
UBS ETF - Top 5 Primary Market Redemptions	USD
UBS ETF (CH) – MSCI Switzerland (CHF) A-dis	-214,037,008
UBS (Irl) ETF plc – MSCI USA Socially Responsible UCITS ETF (USD) A-acc	-152,270,437
UBS ETF (CH) – SPI® (CHF) A-dis	-135,605,413
UBS ETF (CH) – SLI® (CHF) A-dis	-66,276,572
UBS ETF (CH) – MSCI Switzerland (CHF) A-dis	-52,143,408

UBS ETF - Top 10 Secondary Market Trades	USD
UBS ETF (CH) – SLI® (CHF) A-dis <i>NAV – Systematic Internaliser</i>	-76,750,000
UBS (Irl) ETF plc – MSCI USA Socially Responsible UCITS ETF (USD) A-dis <i>Risk – Systematic Internaliser</i>	43,110,000
UBS (Irl) Fund Solutions plc – MSCI ACWI SF UCITS ETF (hedged to EUR) A-acc <i>Risk – Tradeweb</i>	-22,600,000
UBS (Lux) Fund Solutions – SBI® Foreign AAA-BBB 1-5 ESG UCITS ETF (CHF) A-dis <i>Risk – Systematic Internaliser</i>	20,170,000
UBS (Irl) ETF plc – S&P 500 ESG UCITS ETF (USD) A-acc <i>Risk – Bloomberg RFQE</i>	16,360,000
UBS (Lux) Fund Solutions – SBI® Foreign AAA-BBB 5-10 ESG UCITS ETF (CHF) A-dis <i>Risk – Systematic Internaliser</i>	14,030,000
UBS (Lux) Fund Solutions – MSCI United Kingdom UCITS ETF (GBP) A-acc <i>NAV – Systematic Internaliser</i>	13,610,000
UBS (Lux) Fund Solutions – Bloomberg EUR Treasury 1-10 UCITS ETF (EUR) A-dis <i>Risk – Bloomberg RFQE</i>	12,550,000
UBS (Lux) Fund Solutions – MSCI Switzerland 20/35 UCITS ETF (CHF) A-acc <i>Risk – Systematic Internaliser</i>	11,280,000
UBS (Lux) Fund Solutions – J.P. Morgan EMU Government ESG Liquid Bond UCITS ETF (EUR) A-acc <i>Risk – Bloomberg RFQE</i>	-11,230,000

UBS ETF Capital Markets

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