



UBS ETF Capital Markets  
Weekly Flow Update  
(26<sup>th</sup> of February – 1<sup>st</sup> of March)

#### Market Commentary

MSCI World in USD ended the week up 0.93% with the index being driven upwards by Information Technology (2.50%), Consumer Discretionary (1.70%) and Industrials (1.02%) offset by relative weakness in Health Care (-0.76%).

The month of February was very strong for equity markets as better-than-expected corporate results (particularly from AI/Big Tech) and an improving economic growth backdrop led to higher markets globally. Despite stickier inflation and pared back rate expectations, equities performed across all regions. US CPI published in mid-February was higher than expectations with CPI YoY at 3.1% versus consensus of 2.9% and even core CPI was ahead as well (3.9% versus 3.7%). YTD there has been a substantial move in the rate expectations for the Fed in terms of speed of cuts, size of cuts and start date. At the beginning of the year, 160bps of cuts were priced into interest rate futures with the first cut expected in March. Now only 75bps of cuts are priced in (in line with the FOMC dot plot) and the first cut scheduled for June.

Equity markets were strong in most countries in February, with DM underperforming EM for the first time since January 2023. European markets were broadly in line with US markets and the S&P 500 and Nasdaq finishing up by similar amounts. In Europe, Italy was boosted by a strong performance from Financials, pushing it ahead of France and Germany, while Spain lagged. The UK remained weak, with the FTSE 250 underperforming even as domestic activity data was resilient in January. Japanese equities continued to do well, riding the wave of reflation. Emerging markets rebounded strongly, thanks to the bounce in Chinese equities as they were propped up by stimulus measures from the authorities.

Performances in factors were quite varied. Momentum continued to rebound strongly in February, posting its highest returns since April 2020. Quality and Growth performed very well on the back of good earnings numbers from Nvidia. Value stocks lagged, though, despite the pickup in rates and Low-Vol stocks underperformed the most as defensiveness was less in demand.

Consumer discretionary and Industrials outperformed as investors bought into the potential recovery for H2. Technology and Financials sectors outperformed too on the back of stronger results whereas Materials underperformed due to soft numbers. With respect to defensives, only the Healthcare sector outperformed the market, while the rest of the space underperformed.

During the week, the Fed's preferred measure for inflation, core PCE (excluding food and energy prices) increased 0.4% mom in January, in line with economists' expectations and above December's 0.1% rate. This brought core PCE on a 6-month annualized basis back to 2.5% after being near the Fed's 2% goal since November. The 0.4% increase helps explain policymakers' patient approach to cutting interest rates. Services inflation excluding housing and energy, which tends to be stickier,

increased 0.6% from a month ago, the most since March 2022. Powell has highlighted the desire to have six months of inflation data near 2% to be sure inflation is on a sustainable path. The “supercore” reading, which measures core services without housing rents, rose 0.6% month-over-month and 3.4% on a six-month annualized basis. The strength of the January data may largely reflect start-of-year price increases for labour-reliant categories such as medical services, car insurance and repairs, and daycare. Investors expect inflation in these categories to be lower in February and March, therefore resulting in a slower rise in prices for core services.

Q4 results were mixed, but overall positive. With most of the reporting completed, Q4 results seem to be ahead of expectations. EPS growth ex-Energy yoy is positive in both Europe and US at 5% and 11% respectively according to analysts from Barclays. In both regions earnings growth has improved versus Q3 confirming that EPS is moving higher as expected. Companies are boosting capital returns and are optimistic on outlook in contrast to recent quarters. Therefore, markets have started to price in EPS growth for the year which is broadly in line with consensus expectations.

Next week, US ISM Services data for February is released on Tuesday, US JOLTS job openings for January on Wednesday, ECB policy decision on Thursday and Eurozone GDP for Q4 & the US employment report on Friday.

- Monday: Australia building approvals; Japan capital spending; South Korea industrial production; Spain unemployment and Switzerland CPI.
- Tuesday: Australia current account; China Caixin services PMI; Eurozone S&P Global Services PMI, PPI; France industrial production; Hungary GDP; Italy GDP; Japan Tokyo CPI; Mexico international reserves; Philippines CPI; Singapore retail sales; South Africa GDP; South Korea GDP; UK S&P Global Services PMI and US factory orders, ISM services, S&P Global Services PMI.
- Wednesday: Argentina industrial production; Australia GDP; Brazil industrial production, trade; Canada rate decision; Eurozone retail sales; Poland rate decision; South Korea CPI; UK S&P Global Construction PMI and US ADP employment; wholesale inventories.
- Thursday: Australia trade balance, forex reserves; Chile copper exports, trade; China trade, forex reserves; Colombia CPI; ECB rate decision; Germany factory orders; Greece GDP; Malaysia rate decision, forex reserves; Mexico CPI; Peru rate decision; South Africa current account; Spain industrial production; Taiwan CPI and US initial jobless claims, trade
- Friday: Bulgaria GDP; Canada unemployment; Chile CPI; Eurozone GDP; France trade; Germany industrial production; Japan household spending; current account; Taiwan trade and US nonfarm payrolls; unemployment.

<b>UBS ETF - Top 5 Net Inflows</b>	<b>USD</b>
Swiss Equities	357,625,401
Swiss Equities Sustainable	108,853,149
Swiss Equities (hedged)	87,173,943
European Equities Sustainable	41,684,305
European Equities	24,891,177
<b>UBS ETF - Top 5 Net Outflows</b>	<b>USD</b>
Global Equities Sustainable	-67,005,382
Japanese Equities Sustainable	-63,998,457
UK Equities Sustainable	-53,438,846
US Equities Sustainable	-45,235,398
EM Bonds	-34,686,928
<b>UBS ETF - Top 5 Primary Market Creations</b>	<b>USD</b>
UBS ETF (CH) – SLI® (CHF) A-dis	98,715,815
UBS ETF (CH) – SPI® ESG (CHF) A-acc	98,663,888
UBS (Lux) Fund Solutions – MSCI Japan UCITS ETF (JPY) A-acc	98,100,370
UBS (Lux) Fund Solutions – Factor MSCI EMU Quality ESG UCITS ETF (EUR) A-dis	49,886,428
UBS (Lux) Fund Solutions – EURO STOXX 50 ESG UCITS ETF (EUR) A-dis	49,884,056
<b>UBS ETF - Top 5 Primary Market Redemptions</b>	<b>USD</b>
UBS (Lux) Fund Solutions – J.P. Morgan Global Government ESG Liquid Bond UCITS ETF (hedged to USD) A-acc	-60,106,326
UBS (Lux) Fund Solutions – Bloomberg US Liquid Corporates 1-5 Year UCITS ETF (USD) A-dis	-37,606,047
UBS (Lux) Fund Solutions – Bloomberg MSCI US Liquid Corporates 1-5 Year Sustainable UCITS ETF (USD) A-acc	-32,221,098
UBS (Lux) Fund Solutions – J.P. Morgan USD EM Diversified Bond 1-5 UCITS ETF (USD) A-dis	-30,478,334
UBS (Lux) Fund Solutions – J.P. Morgan USD EM IG ESG Diversified Bond UCITS ETF (USD) A-acc	-29,257,578

<b>UBS ETF - Top 10 Secondary Market Trades</b>	<b>USD</b>
UBS (Lux) Fund Solutions – MSCI United Kingdom UCITS ETF (hedged to CHF) A-acc <i>NAV – Systematic Internaliser</i>	-52,910,000
UBS ETF (CH) – SPI® (CHF) A-dis <i>NAV – Bloomberg RFQE</i>	49,840,000
UBS (Irl) Fund Solutions plc – MSCI ACWI SF UCITS ETF (USD) A-acc <i>NAV – Bloomberg RFQE</i>	-47,510,000
UBS ETF (CH) – MSCI Switzerland hedged to USD (USD) A-dis <i>NAV – Bloomberg RFQE</i>	45,190,000
UBS ETF (CH) – MSCI Switzerland hedged to EUR (EUR) A-dis <i>NAV – Bloomberg RFQE</i>	41,610,000
UBS ETF (CH) – MSCI Switzerland IMI Socially Responsible (CHF) A-acc <i>NAV – Bloomberg RFQE</i>	40,610,000
UBS ETF (CH) – MSCI Switzerland IMI Dividend ESG ETF (CHF) A-dis <i>NAV – Bloomberg RFQE</i>	34,920,000
UBS (Irl) ETF plc – MSCI USA Socially Responsible UCITS ETF (USD) A-acc <i>NAV – Systematic Internaliser</i>	-33,010,000
UBS (Irl) ETF plc – MSCI United Kingdom IMI Socially Responsible UCITS ETF (GBP) A-dis <i>NAV – Systematic Internaliser</i>	-31,760,000
UBS (Irl) ETF plc – MSCI United Kingdom IMI Socially Responsible UCITS ETF (hedged to CHF) A-dis <i>NAV – Systematic Internaliser</i>	-28,230,000

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