



UBS ETF Capital Markets
Weekly Flow Update
(January 30 – February 3)

Market Commentary

MSCI World ended the week up 1.26% driven by strong performances in Communication Services (4.12%), Information Technology (3.78%) and Consumer Discretionary (2.13%) offset by weaker performance in Energy (-4.86%).

The past week was dominated by Central Bank interest rate announcements and corporate earnings results. As widely expected, the Fed further reduced the pace of rate hikes, raising the federal funds target range by 25bps to 4.5–4.75%. In December, the Fed raised rates by 50bps, following four consecutive 75bps increases. The bank's statement said that it anticipated "ongoing increases" in rates but referred to the "extent" of future hikes, rather than the pace—suggesting that additional changes will be in 25bps increments.

The smaller rate hike was in line with expectations and markets are interpreting Wednesday's FOMC meeting in a dovish light. Powell chose not to push back explicitly against easier financial conditions in his press conference and referred to a "couple more" rate hikes, giving the impression that the cycle is drawing closer to the end. But the Fed's comments also contained plenty of more hawkish elements. The Fed remains concerned about the risk of doing too little. As Powell stated, the Fed's job of fighting inflation was not fully done and that it would be very premature to declare victory.

The ECB increased the deposit rate by 50bps to a 15-year-high, in line with market expectations. Moreover, policymakers said they intend to deliver a further increase of 50bps in March, which would take the deposit rate to 3%. The central bank also confirmed the pace of bond sales from its balance sheet at EUR 15bn per month from March to June. While the overall message from the ECB continues to be hawkish—Lagarde suggested there is "still ground to cover" and the bank is focused on "staying the course"—the language was not as hawkish as it could have been. The nod toward the ECB becoming more "data-dependent," and the acknowledgement that the risks to the outlook are dual-sided, have left the door open to a more flexible approach going forward.

The BoE also raised rates by 50bps to 4%, lifting borrowing costs to their highest level since 2008. But they dropped the commitment to "forcefully" increase rates in the future, suggesting that the appetite for further hikes is waning. With the economy slowing, inflation falling, and unemployment rising, it is possible they start cutting rates in Q4.

Generally, markets have reacted optimistically to the rate announcements as it seems the central banks acknowledge that past rate rises have yet to fully impact the economy and perhaps, we are closer to the long awaited pivot to falling rates.

On the corporate earnings front there certainly has been volatility. This week saw the megacap US tech companies report. Meta gained 23% following Wednesday's announcement of stricter cost

controls this year, a better-than-expected sales forecast, and a USD 40bn share buyback program. However, other big tech news, released after the close on Thursday, was not as rosy. Apple reported a steeper sales decline, Amazon projected lacklustre revenue in the current quarter, and Alphabet's results narrowly missed analyst expectations. Overall Q4 earnings have been uninspiring with EPS growth yoy above expectations in Europe but below in the US. Ex-energy the number is worse and EPS beats have slowed down in both regions to below average and the lowest levels since Q120. Top line strength is also fading while margins continue to contract given lower pass-through and rising labour costs. Guidance remains weak due to demand concerns although firms are slightly more positive on economy than last quarter. However, as growth continues to cool down and PMIs are below 50 this optimism may be misplaced. An interesting point is whether the stronger EUR will impact companies. Whilst it is true that if EUR stays at current levels or continues to strengthen it will be detrimental, the EURUSD is still 3% lower on a YoY basis. Hopefully with more positive macroeconomic data this currency headwind should reduce over time.

Finally, US macroeconomic data continues to be strong. US hiring surged in January and the jobless rate fell to a 53-year low. Nonfarm payrolls increased 517,000 last month after an upwardly revised 260,000 gain in December (the gains are mostly due to seasonal factors and revisions to past data). The unemployment rate dropped to 3.4%, the lowest since May 1969 and average hourly earnings grew at steady clip. The figure beat all estimates in a Bloomberg survey of economists, which called for a 188,000 gain in payrolls and for the unemployment rate to rise to 3.6%. Hiring was broad-based across sectors, led by leisure and hospitality, professional and business services and health care. Government employment increased by the most since July, which reflected the return of University of California workers after the end of a strike. The figures highlight the resilience of the job market despite rising borrowing costs, a pullback in consumer demand and an overall uncertain economic outlook. Demand for workers continues to outpace supply, threatening to keep wage growth strong and fan inflation further.

With respect to next week we see the following in the calendar:

- Monday: Germany CPI, factory orders; Eurozone retail sales; Australia inflation gauge, retail sales; Thailand CPI; Indonesia, Ukraine GDP.
- Tuesday: US, France, Australia, Taiwan trade; Australia rate decision; Australia, China, Hong Kong, Indonesia, Philippines, Singapore foreign reserves; Germany, Spain industrial output; Philippines CPI.
- Wednesday: US wholesale inventories; Japan, South Korea BoP; Poland, India rate decision; Russia, Chile CPI.
- Thursday: US initial jobless claims; Sweden rate decision; China new yuan loans, aggregate financing, money supply; Mexico rate decision; Brazil, Mexico, Taiwan CPI.
- Friday: US University of Michigan consumer sentiment; UK GDP, industrial output; China PPI, CPI, BoP; Canada unemployment; Japan PPI; Italy, India, Turkey industrial output; Russia rate decision.

UBS ETF - Top 5 Net Inflows	USD
EM Equities	812,790,172
EM Equities Sustainable	543,880,812
Commodity (hedged)	321,141,196
Swiss Equities (hedged)	66,395,394
Fixed Income Japan	26,070,213
UBS ETF - Top 5 Net Outflows	USD
Global Equities Sustainable (hedged)	-330,497,557
Swiss Equities	-87,049,685
US Equities SmartBeta (Value)	-69,469,749
Japanese Equities Sustainable	-54,411,344
US Equities	-48,753,763
UBS ETF - Top 5 Primary Market Creations	USD
UBS (Irl) Fund Solutions plc – Bloomberg Commodity CMCI SF UCITS ETF (hedged to CHF) A-acc	301,831,092
UBS (Lux) Fund Solutions – MSCI Emerging Markets UCITS ETF (USD) A-acc	280,918,550
UBS (Lux) Fund Solutions – MSCI Emerging Markets UCITS ETF (USD) A-acc	263,908,781
UBS (Lux) Fund Solutions – MSCI Emerging Markets Socially Responsible UCITS ETF (USD) A-dis	172,246,660
UBS (Lux) Fund Solutions – MSCI Emerging Markets UCITS ETF (USD) A-dis	130,800,729
UBS ETF - Top 5 Primary Market Redemptions	USD
UBS (Irl) ETF plc – Global Gender Equality UCITS ETF (hedged to USD) A-acc	-205,098,005
UBS (Irl) ETF plc – Global Gender Equality UCITS ETF (hedged to CHF) A-acc	-117,658,119
UBS (Lux) Fund Solutions – MSCI Switzerland 20/35 UCITS ETF (CHF) A-acc	-114,877,208
UBS (Irl) ETF plc – Global Gender Equality UCITS ETF (hedged to EUR) A-acc	-83,217,283
UBS (Lux) Fund Solutions – MSCI Japan Socially Responsible UCITS ETF (JPY) A-acc	-51,075,763
UBS ETF - Top 10 Secondary Market Trades	USD

UBS (Irl) Fund Solutions plc – Bloomberg Commodity CMCI SF UCITS ETF (hedged to CHF) A-acc <i>NAV – Systematic Internaliser</i>	294,620,000
UBS (Lux) Fund Solutions – MSCI Emerging Markets UCITS ETF (USD) A-acc <i>NAV – Tradeweb</i>	264,190,000
UBS (Lux) Fund Solutions – MSCI Emerging Markets Socially Responsible UCITS ETF (USD) A-dis <i>NAV – Systematic Internaliser</i>	87,100,000
UBS (Lux) Fund Solutions – MSCI Switzerland 20/35 UCITS ETF (CHF) A-acc <i>NAV – Systematic Internaliser</i>	-68,680,000
UBS (Lux) Fund Solutions – MSCI Japan Socially Responsible UCITS ETF (JPY) A-acc <i>NAV – Systematic Internaliser</i>	-54,740,000
UBS (Lux) Fund Solutions – MSCI EMU UCITS ETF (EUR) A-acc <i>NAV – Tradeweb</i>	-46,050,000
UBS (Lux) Fund Solutions – MSCI Emerging Markets Socially Responsible UCITS ETF (USD) A-dis <i>NAV – Tradeweb</i>	35,440,000
UBS (Irl) ETF plc – Global Gender Equality UCITS ETF (hedged to GBP) A-acc <i>NAV – Tradeweb</i>	35,390,000
UBS (Lux) Fund Solutions – Bloomberg Euro Area Liquid Corporates 1-5 Year UCITS ETF (EUR) A-dis <i>Risk – Tradeweb</i>	28,910,000
UBS (Irl) ETF plc – MSCI USA Value UCITS ETF (USD) A-dis <i>Risk – Bloomberg RFQE</i>	-27,990,000

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Group e-mail: ol-etf-cm@ubs.com

Pravin Bagree CFA

Head of UBS ETF Capital Markets | pravin.bagree@ubs.com | +41 44 235 19 08

Giorgio Cescato

UBS ETF Capital Markets Specialist | giorgio.cescato@ubs.com | +41 44 234 54 85

Gianandrea Grassi

UBS ETF Capital Markets Specialist | gianandrea.grassi@ubs.com | +41 44 234 53 45

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Issuer UBS Asset Management Switzerland AG, c/o UBS AG, Bahnhofstrasse 45, 8001 Zürich, Switzerland

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