



UBS ETF Capital Markets
Weekly Flow Update
(January 23 – January 27)

Market Commentary

It was a positive week for MSCI World, with the index ending up 2.23% in USD. Gains were driven by strength in Consumer Discretionary (5.25%), Information Technology (4.22%) and Financials (2.75%) offset by weakness in Healthcare (-0.81%) and Consumer Staples (-0.30%).

On Thursday we had the release of US GDP data. GDP rose 2.9% in Q422 slightly better than consensus forecasts. This follows the 3.2% growth rate in Q322 and brings the level of real GDP close to its pre-pandemic trend line. Details of the report were mixed. Consumer spending rose 2.1%, like the previous two quarters, although goods consumption showed positive growth for the first time since Q421. The personal savings rate was 2.9%, a bit higher than expectations and there were some upward revisions to estimates for the previous months. However, this is still very low from a historical perspective but it suggests that households are burning through the savings built up during the pandemic at a slightly slower pace. Non-residential investment edged up 0.7%, with investment in structures turning positive (0.4%) for the first time since Q121. On the downside, residential investment plunged 26.7%, the 7th quarter in a row of negative growth. Around half of overall GDP growth came from rising inventories and declining imports of goods contributed another 0.7%. All in all, this leads to the sense that the economy is not as strong as the GDP growth rate would suggest.

Early Q4 results have not been great either. EPS growth y/y in Europe is coming in at -4% (-7% vs consensus) and at -2% (+1% vs consensus) in the US. Earnings beats have been holding up closer to average but softer again in the US this quarter. Margin pressure is evident from sales growth coming in well ahead of earnings growth in both the US and Europe and further falls could happen as volumes and pricing power continue to decline. Forward earnings estimates have seen small upgrades in Europe and are basically flat in the US since the start of the earnings season. Energy, Financials and Transport have seen estimates trimmed while Leisure, Retail and Banks have seen the biggest upgrades in Europe. In the US, Autos, Banks and Energy have seen cuts to estimates while Leisure and Retail have seen estimates raised.

Despite the negativity in developed markets, emerging market equities continue to outperform the US YTD, thanks to China's unexpectedly rapid reopening. Peaking US inflation and a weaker US dollar are supportive of EM assets as that should lead to looser financial conditions for EM corporates. The rapid dismantling of COVID restrictions is paving the way for a faster-than-anticipated economic reopening in China, which bodes well for global growth prospects in 2023. Despite rallying over 50% from the trough in October, valuations are still appealing as the MSCI China 12-month forward P/E trades below its 5-year average. In addition, MSCI EM is still trading at more than a 40% discount to developed market stocks versus the 10-year average of 34% from a P/B perspective.

The Fed and ECB meetings next week may hold the fate of the rally we have seen YTD. Over the past 3 months many analysts believe the rebound in equities since November has been largely built on market expectations of a dovish pivot in monetary policy. Falling yields have acted as a tailwind for P/Es but it will be interesting to observe which of the 2 central banks will be more hawkish and the attendant effect on EURUSD. The stronger USD of 2022 was a tailwind for many European companies. The EU ban on refined Russian oil products is set to take effect on the 5th of February so markets will be watching whether Russia can make up for the European shortfall. A lack of adequate smaller tankers may make it more difficult for Russia to divert refined products to other markets and there is also a limit to how much additional crude China and India can absorb. This may be a bullish signal for Brent which has fallen circa 25% since June. Coupled with China's early reopening, underinvestment in the exploration and development of new oil supply globally, capital discipline by US shale oil producers, and high inflation slowing down the supply expansion the price of oil could rally over the next few months.

In addition to the interest rate announcements, we have non Farm Payrolls on Friday so quite a few points to consider!

- Monday: Germany GDP; Spain HICP inflation; Brazil primary budget balance.
- Tuesday: US Conf. Board consumer confidence; France, Italy, Eurozone GDP; France, Germany HICP inflation; Japan, Singapore unemployment; Mexico, Poland, Saudi Arabia GDP.
- Wednesday: US FOMC rate decision, ISM manufacturing, light-vehicle sales, construction spending; Eurozone CPI; Italy HICP inflation; Brazil rate decision, trade; Chile economic activity; South Korea industrial output; Peru CPI.
- Thursday: ECB rate decision; UK BOE rate decision; US initial jobless claims, durable goods, factory orders; Spain unemployment; South Korea CPI.
- Friday: US unemployment, nonfarm payrolls; China Caixin services PMI; Eurozone services PMI, PPI; Singapore, Hong Kong retail sales; Turkey CPI.

UBS ETF - Top 5 Net Inflows	USD
European Equities (hedged)	203,900,620
Japanese Equities (hedged)	99,002,339
US Corporate Bonds	83,400,617
US Equities (hedged)	79,624,786
US Equities Sustainable	61,806,326
UBS ETF - Top 5 Net Outflows	USD
Global Equities Sustainable	-129,971,893
Swiss Equities	-122,432,386
Gold (hedged)	-51,129,223
Gold	-50,047,032
Global Equities Sustainable (hedged)	-24,534,064
UBS ETF - Top 5 Primary Market Creations	USD
UBS (Lux) Fund Solutions – Bloomberg MSCI Euro Area Liquid Corporates Sustainable UCITS ETF (EUR) A-dis	60,457,372
UBS (Lux) Fund Solutions – MSCI EMU UCITS ETF (hedged to CHF) A-acc	59,582,219
UBS (Lux) Fund Solutions – MSCI EMU UCITS ETF (hedged to USD) A-acc	58,235,600
UBS (Lux) Fund Solutions – MSCI EMU UCITS ETF (hedged to USD) A-acc	58,170,800
UBS (Irl) ETF plc – S&P 500 ESG UCITS ETF (USD) A-acc	55,609,092
UBS ETF - Top 5 Primary Market Redemptions	USD
UBS (Irl) ETF plc – Global Gender Equality UCITS ETF (USD) A-acc	-174,717,315
UBS (Lux) Fund Solutions – MSCI Switzerland 20/35 UCITS ETF (CHF) A-acc	-124,500,137
UBS ETF (CH) – Gold (USD) A-dis	-31,447,416
UBS ETF (CH) – Gold (CHF) hedged (CHF) A-dis	-30,452,279
UBS ETF (CH) – MSCI Switzerland (CHF) A-dis	-17,371,971
UBS ETF - Top 10 Secondary Market Trades	USD
UBS (Lux) Fund Solutions – MSCI EMU UCITS ETF (hedged to CHF) A-acc	78,500,000

<i>NAV – Tradeweb</i>	
UBS (Lux) Fund Solutions – MSCI EMU UCITS ETF (hedged to USD) A-acc <i>NAV – Tradeweb</i>	55,740,000
UBS (Lux) Fund Solutions – MSCI EMU UCITS ETF (hedged to USD) A-acc <i>NAV – Tradeweb</i>	53,720,000
UBS (Lux) Fund Solutions – MSCI EMU UCITS ETF (EUR) A-acc <i>NAV – Tradeweb</i>	50,370,000
UBS (Lux) Fund Solutions – MSCI Japan UCITS ETF (hedged to CHF) A-acc <i>NAV – Tradeweb</i>	49,200,000
UBS (Lux) Fund Solutions – MSCI Japan UCITS ETF (hedged to USD) A-acc <i>NAV – Tradeweb</i>	34,960,000
UBS (Lux) Fund Solutions – MSCI Japan UCITS ETF (hedged to USD) A-acc <i>NAV – Tradeweb</i>	33,760,000
UBS (Irl) ETF plc – MSCI USA hedged to EUR UCITS ETF (EUR) A-acc <i>NAV – Tradeweb</i>	31,550,000
UBS (Lux) Fund Solutions – MSCI Japan UCITS ETF (hedged to EUR) A-acc <i>NAV – Tradeweb</i>	31,280,000
UBS ETF (CH) – Gold (CHF) hedged (CHF) A-dis <i>NAV – Systematic Internaliser</i>	24,680,000

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